REGISTRATION DOCUMENT 2017

Annual Financial Report

PUBLICIS GROUPE

CONTENTS

The elements of the Annual Financial Report are clearly identified in the table of contents using the pictogram ✤

PUBLICIS GROUPE

2017 REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

GROUP PROFILE

Publicis Groupe is a world leader in marketing, communications and digital business transformation.

Present at every stage of the consumer experience, thanks to an integrated offering combining creation, data analysis, consulting and technology, the Publicis Groupe serves its clients through a cross-functionnal, unified and fluid organization that facilitates access to all its expertise worldwide.

It focuses on **four major solution hubs**: Publicis Communications, Publicis Media, Publicis. Sapient and Publicis Health. Each of these four solution hubs operates on the Group's main global markets and is supported by Publicis One on the other markets.

Publicis One combines all of the Group's agencies under one roof and offers our clients the full range of available services.

The Group is present in **more than 100 countries**.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the *Autorité des marchés financiers* (the French Financial Markets Authority, or AMF) on April 20, 2018, in accordance with article 212-13 of the AMF General Regulation. It may be used in the framework of a financial transaction only if supplemented by a Transaction Note certified by the AMF.

This document has been prepared by the issuer and involves the liability of its signatories.

Copies of the Registration Document are available from Publicis Groupe SA, 133, avenue des Champs-Élysées, 75008 Paris, and on the Publicis Groupe SA website: **www.publicisgroupe.com** and the AMF website: **www.amf-france.org**.

This Registration Document contains all the elements of the annual financial report.

MESSAGE FROM CHAIRMAN OF THE SUPERVISORY BOARD

Maurice Lévy
CHAIRMAN OF THE SUPERVISORY BOARD

It's fair that to say that 2017 was a pivotal year for Publicis.

As for all companies, the passing of the baton from one CEO to the next is necessarily an important step; a fortiori with only two bosses in 91 years of existence. At the start of the year 2017, the choice to succeed me as Chairman of the Management Board fell on Arthur Sadoun and seven months into this role will have been amply sufficient to confirm that he was the right choice: our clients, who honor us with their trust over the years, have given all their support to the new team, and where some feared friction, the transition took place in excellent conditions.

Arthur Sadoun's qualities have been widely evoked: dedication, the right sensitivity towards our clients, almost intuitive understanding of the world to come, unmatched professional know-how and recognized leadership, to mention just a few. We have worked together almost every day over the last ten years, and I know by experience that it was the right choice. I am pleased that his appointment was approved by the Supervisory Board and that the facts have shown the successful smooth succession.

To tell the truth, it couldn't have been otherwise for someone who understands the values and functioning of the Groupe founded by Marcel Bleustein-Blanchet. I would firstly like to pay a heartfelt tribute to Élisabeth Badinter who, for twenty years as Chairperson of the Supervisory Board, has played a leading role in the success of this transition as in all the Groupe's successes. With considerable finesse, intelligence and skill, she has steered the Groupe's essential directions over two decades and has always defended the interests of its stakeholders, while jealously preserving the independence and fundamental values of the Groupe created and developed by her father. She was able to take courageous – and sometimes difficult – strategic decisions in the interest of the future of the company, its clients and its employees. She accepted dilutions to the share capital, favoring the company's development over the conservative management of its assets. Together, we formed an exemplary tandem, based on trust and transparency; and the success of this transition is, of course, due to the tandem that we formed during those twenty years.

I might as well say it openly, particularly as I have never hidden it: I consider that Élisabeth Badinter is the most legitimate to chair the Supervisory Board whose support and opinions are essential for the enlightened steering of the Management Board. Élisabeth Badinter, however, wanted our shareholders to grant me the Chairmanship in order to ensure a smooth transition, and continuity in this handover to Arthur Sadoun. Despite initial reticence associated with private projects, I decided to accept this position and to carry out this task – as for everything I do – fully, with determination and passion. In my heart and head, I aim to provide my experience, my knowledge, my professional relations and my know-how to the Management Board – and in particular to its Chairman. I can count on two elements to successfully carry out this new task: the clarity of responsibilities and the active support from the Board.

> “First of all, I would like to pay tribute to Élisabeth Badinter who, for twenty years, was the Chairwoman of the Supervisory Board, playing a leading role in the success of this transition and in the Group’s success as a whole.”

Clarity of responsibilities: because I had to abandon my managerial reflexes, and because there can only be one captain on the bridge. After the first five months of the year which were largely dedicated to the successful succession, by ensuring that all decisions on the future were made by common agreement, the strength of the new tandem with Arthur Sadoun was immediately demonstrated, and I am convinced that the collaboration between the Groupe’s two management bodies is encouraging for the future of our Groupe.

Active support from the Board: because the Management Board must be able to count on the entire Supervisory Board, with its talented individuals that can express themselves openly and transparently, and where issues are dealt with frankly and warmly. I admire the time spent by all Board members in the rigorous, committed study of all the Groupe’s key issues. This expertise will be precious to help the Management Board stay on course in an ever faster changing environment.

The Supervisory Board and I know that we can count on Arthur Sadoun to tackle the current changes, for the benefit of Publicis Groupe. He has constituted his team, redefined in the greatest detail the Groupe’s positioning and committed all Publicis’ forces on the ground to the transformation – whether it be the still more demanding application of The Power of One, the acceleration of the People Cloud or the ambitious project for the Marcel collaborative platform, in the name of Publicis’ founder. All of these initiatives have been taken at a pace that could give vertigo, but which have turned out to be essential in a doubting market. Speed and quality of execution will be the benchmarks for future success in the face of the challenges that we have known for several years.

The transformation is not a choice, it is not even a question to be asked, it is a solution that is imposed on everyone – to our clients and to ourselves. Publicis began its transformation by changing from a holding company into a connected company. By accelerating this movement into a sprint we shall complete the transformation of the company into a full platform of services for marketing, communication, consulting and technology applied to the transformation of our clients. Those clients, precisely, who have supported us by their loyalty and honored us with their trust and who, for the most part, appreciate the enormous efforts we have imposed upon ourselves so that they can succeed in tomorrow's digital world with its multiple forms of competition, often new, sometimes unexpected, always fierce.

By resolutely placing the company at the heart of our clients' needs and concerns I am certain that the new management under Arthur Sadoun will create for Publicis an abiding position in the forefront of its sector.

“The Supervisory Board and I know that we can count on Arthur Sadoun to take on the current transformation for the benefit of Publicis Groupe.”

Such a transformation involves questions, sometimes raises doubts and requires proof through results. It is precisely such results that have been shown with some of the great victories accumulated recently. I am pleased about this, as they not only show the relevance of our efforts, but also the commitment and adaptation of our teams. The success of such a project is always the result of the men and women involved, and I would like to express my heartfelt thanks to all our talented employees that have not spared their time or efforts in this crucial period. Nothing can or will be accomplished without their intelligence, creativity, sensitivity, inventiveness and commitment – thank you for your work and unwavering support for the new team.

In this rapidly changing world, where we see that even the most powerful groups or most modern platforms are weakened, and even contested, we need to continue our efforts in a constant and determined way. This requires the necessary transformation of our organization, our way of functioning, the role and responsibilities of each person – with a consequence: the commitment, thanks to unprecedented efforts in training, to preparing each one of our talents for the complexity of the coming world. Technology, digital, artificial intelligence, tomorrow the blockchain, will bring many positive things. But they require knowing how to rethink the practices and processes built up over the years, to be in harmony with the world of the future and avoid the dictatorship of technology and the dehumanization of society.

It is an immense task for our clients. They know that they can count on us, and our willingness to go the extra mile. Our own transformation is just beginning and we still need to commit to significant efforts. Under the leadership of Arthur Sadoun, and building on the rare alchemy of creativity and technology, I know that Publicis will be able to become the world leader in marketing transformation and also business transformation for the benefit of all our stakeholders: our clients, employees and shareholders.

Along with the entire Supervisory Board, we would like to express our great confidence in the new team to achieve the Groupe's transformation and reap the benefits through stronger growth and improved margins, guaranteeing Publicis' development and independence.

“The transformation is not a choice, it is not even a question to be asked, it is a solution that is imposed on everyone – to our clients and to ourselves.”

MESSAGE FROM THE CHAIRMAN

Arthur Sadoun
CHAIRMAN OF THE MANAGEMENT BOARD

2017 was the year of my first months as Chairman of the Management Board of Publicis Groupe. At the time of writing these lines, my thoughts go out to Elisabeth Badinter, Maurice Lévy, and the Supervisory Board who I wish to sincerely thank for their confidence. It is with determination and humility that I will strive to fulfill the mission that they have entrusted to me.

Following in the footsteps of Marcel Bleustein-Blanchet and Maurice Lévy is a great honor and also a great challenge. Thanks to them, over 90 years, Publicis has gone from being a family agency in Montmartre to being one of the world leaders in advertising and communications. I am aware of the opportunity and responsibility I have to continue their work and carry Publicis towards new heights.

I have worked in Advertising for 20 years, and with Publicis for eleven years now, because I am convinced that an idea can change a company's future. I still believe it. It is this ambition that I want to bring to the head of the Management Board. Our raison d'être has always been and will always be to serve our clients best, by providing them with great ideas to enable them to continue to win in a changing world. To achieve this, we have a decisive advantage: the trust that they place in us, sometimes over decades.

Over all these years, Publicis' success has been ensured by the values that have made the Groupe's DNA: audacity, loyalty, transparency, and of course, creativity. These principles, enriched by the Groupe's talents, are an essential compass to overcome the challenges that Publicis, and agencies in general, encounter today. They are the link between the past, present and future, bringing together the Groupe's generations, talents and activities, and making up our most precious asset.

The Groupe can, therefore, build on three incomparable strengths in order to advance in an uncertain world: these values forged year after year, the diversity of the Groupe's talents, and the trusted relationship that we have built with our clients. It is no coincidence that 2017 once again illustrates the Groupe's remarkable financial solidity. We have extremely robust foundations, that allow us to calmly face the challenges ahead of us.

In a rapidly changing environment, we are all convinced of the necessity to change our model. Thanks to the vision of Maurice Lévy, Publicis has not waited to reinvent itself once again. "If you wait for things to change, they will change without you", said Marcel Bleustein-Blanchet. We are going to continue and accelerate this transformation.

We are working with the Management Board and the Executive Committee on a three-year program, with the aims to reach a solid growth and an improvement to margins. As repeatedly stressed over the last few years, it is the perfect harmony with continuous and constructive dialog between the Management Board and the Supervisory Board, and more precisely their respective Chairmen, that have forged the Groupe's success. I am very happy to be able to continue this tradition with Maurice Lévy. His support and advice at all stages of our transformation and the collective momentum that we have created together are a decisive strength for Publicis' present and future.

We have already said that this transformation begins with our relationship with our clients. Today, more than ever, they must reinvent themselves as they are faced with a triple challenge: to find growth in often sluggish markets, to become more competitive in the presence of new competition, and to restore confidence in their brands.

The threats to their historical businesses are multiplying. The arrival of technological platforms, new purchasing behaviors, increasingly demanding consumers, the importance of social networks and lastly, the opportunities offered by large-scale data analysis are examples of an environment that has never changed as rapidly and as profoundly. Those with the tools to adapt will take advantage of it, while the others will meet considerable difficulties.

Building on our long-term relationships with our clients, we are convinced that to succeed, they will need to build a customized relationship with each consumer, on a wide scale. The aim is to deliver the right message, to the right person, at the right time, via the right support and at all stages of the path for a very large number of consumers. What was for decades the "Holy Grail" of clients, is today at hand. And while certain of our clients have started to reallocate their investments to reach it, Publicis Groupe is today a unique partner in this quest. By positioning ourselves at the crossroads of marketing and the digital transformation, the Groupe now makes this interactivity at each moment with each consumer possible and tangible, by connecting technology, content and data.

Technology, because it is the essential tool that will allow our clients to overcome their challenges. Digital technologies have revolutionized the way they interact with their consumers. Since the acquisition of Sapient, we are able to offer our clients the technology and consulting solutions that they expect to reorganize their businesses and adapt to the new digital economies. This acquisition shows its relevance day after day for our clients, and confirms that our strategic choice was the right one.

Content, because creativity has always been the main tool our clients use to differentiate themselves. This creative content goes hand in hand with technology as it is necessary to constantly adapt it to its audience. In a world where consumer experience is at the heart of all concerns, each contact with a brand, well before and well after the purchase act, is essential for convincing the consumer. And more widely, to found a community that will become the privileged way to promote loyalty.

Lastly, data because it plays an essential role in this race to increase consumer engagement. Publicis Groupe has recognized expertise in this area. We intend to develop it still further, and make the daily demonstration of the rigorous way we treat data confidentiality and respect for private life. Our new platform, Publicis People Cloud, fed by individual identifiers built by the Groupe, is at the heart of our clients' needs, offering them the possibility of making better marketing and sales decisions.

> "In a rapidly changing environment, we are all convinced of the necessity of changing our model."

> “We were our clients’ partner for their communications, we now intend to be the essential partner in their transformation.”

Our ability to combine these three areas of expertise – technology, content and data – is a decisive and differentiating strength. We were our clients’ partner for their communications, we now intend to be the essential partner in their transformation. We will do our best to continue to merit their trust in our original businesses and acquire it in transformation expertise. 2017 has seen the initial results of this new model, with emblematic gains: P&G UK, McDonald’s, Southwest Airlines, Lionsgate and L’Oréal. These victories are extremely encouraging for the next steps of our transformation.

But renewing our offer, while relevant, will not be sufficient if we wish to succeed over the long term. We must also transform our organization to meet our clients’ needs, be focused on execution, and become even more efficient. Therefore, in a world of agencies still organized in holding companies, we are transforming Publicis into a platform.

Firstly, we have placed our clients at the heart of our model, and have not hesitated to break existing silos. In a functional way, 35 Global Client Leaders – and this figure will naturally increase – are today responsible for the relationship between Publicis and each of our major clients. Through this dedicated point of entry, these clients now have access to the whole range of the Groupe’s skills. We intend to accelerate the development of this model, which has already shown its first results.

Using a geographical approach, we are also breaking the silos in our more significant markets. The management teams in these countries bring together the members of each Solution within the Groupe, to present an integrated offer to our existing clients and in on-going competitions, to maximize synergies and to manage resources more effectively. This proximity between our talents and their know-how has led to new ideas and innovative solutions that will enable us to continue to help our clients win in the future.

Next, we have brought together all our data, technology and content skills under the same roof, in order to develop world-class expertise in each of these areas, and help each of our clients.

> “We want to reinvent the way our talented employees work every day and help them increase their potential.”

Lastly, and this is surely the most important item, we have placed our talents at the heart of our strategy and actions. Let’s call a spade a spade: Publicis is a People business and nothing would be possible without the daily commitment and generosity of our talents. This transformation is carried by the Groupe’s men and women, and I want to thank them sincerely for all their efforts. Our success will be collective. And because our talents are our most precious asset in this race to innovation and reinvention through ideas, we must be even more attentive to them and constantly monitor their well-being. Therefore, this year, we have appointed a Chief Talent Officer, and over the coming months, we will redefine our training programs in an ambitious way for the benefit of all.

But we have an even greater ambition for all those who make Publicis a success every day. We want to reinvent the way our talented employees work every day and help them increase their potential by giving them the power to learn more, create more and exchange more at Publicis. For this reason, we have launched the development of Marcel, the platform serving the Groupe’s employees, which will use artificial intelligence to bring our employees closer, develop their skills and better serve our clients.

Its name was chosen to honor Publicis’ founder, Marcel Bleustein-Blanchet, to inject the major ideas that have built our success into our organization on a daily basis, and to attempt modestly to pursue our ambition. Could we find a better example to illustrate our desire to forge this link between our talents, our clients and our history?

PUBLICIS: HISTORY

1926 **Publicis is created**
by Marcel Bleustein-Blanchet

1970
Publicis is first listed on the Paris stock exchange

1987
Creation of the Management Board and Supervisory Board and appointment of Maurice Lévy as Chairman of the Management Board

2000
Acquisition of Saatchi & Saatchi (United Kingdom)

2001
ZenithOptimedia is formed

2002
Acquisition of Bcom3 (United States)

2006
Acquisition of Digitas (United States)

2008
Partnership with Google for the development and launch of VivaKi

2009
Acquisition of Razorfish (United States)

2009
Publicis ranks third in global communication groups

2011
Acquisition of Rosetta (United States)

2013
Acquisition of LBi (Netherlands)

2015
Acquisition of Sapient (United States)

2016
The Power of One

2017
Maurice Lévy appointed as Chairman of the Supervisory Board and Arthur Sadoun as Chairman & CEO.

GOVERNANCE

(as at the date of filing of this Registration Document)

Supervisory Board

50%
women(1)

96%
Attendance rate

6
Meetings in 2017

Maurice Lévy
Chairman of the Supervisory Board
Member of the Compensation Committee
Member of the Strategy and Risk Committee
Member of the Nominating Committee

Élisabeth Badinter
Vice-Chairperson of the Supervisory Board
Chairperson of the Nominating Committee
Member of the Strategy and Risk Committee

Simon Badinter
Member of the Supervisory Board

Claudine Bienaimé
Member of the Audit Committee
Member of the Compensation Committee

Jean Charest
Chairman of the Audit Committee
Member of the Nominating Committee

Michel Cicurel
Chairman of the Compensation Committee
Member of the Appointments Committee

Sophie Dulac
Member of the Supervisory Board

Thomas H. Glocer
Member of the Compensation Committee
Member of the Strategy and Risk Committee

Marie-Josée Kravis
Chairperson of the Strategy and Risk Committee
Member of the Nominating Committee

André Kudelski
Member of the Audit Committee

Marie-Claude Mayer
Member of the Strategy and Risk Committee

Véronique Morali
Member of the Compensation Committee
Member of the Audit Committee

Pierre Pénicaud
Member of the Supervisory Board representing employees
Member of the Strategy and Risk Committee

Management Board

15
Meetings in 2017

Arthur Sadoun
Chairman & CEO

Anne-Gabrielle Heilbronner
Secretary General

Jean-Michel Etienne
Group Executive Vice-President, Group Finance

Steve King
CEO
Publicis Media

(1) *In accordance with legal requirements, Board members representing employees are not included in the calculation.*

STRATEGY AND ORGANIZATION

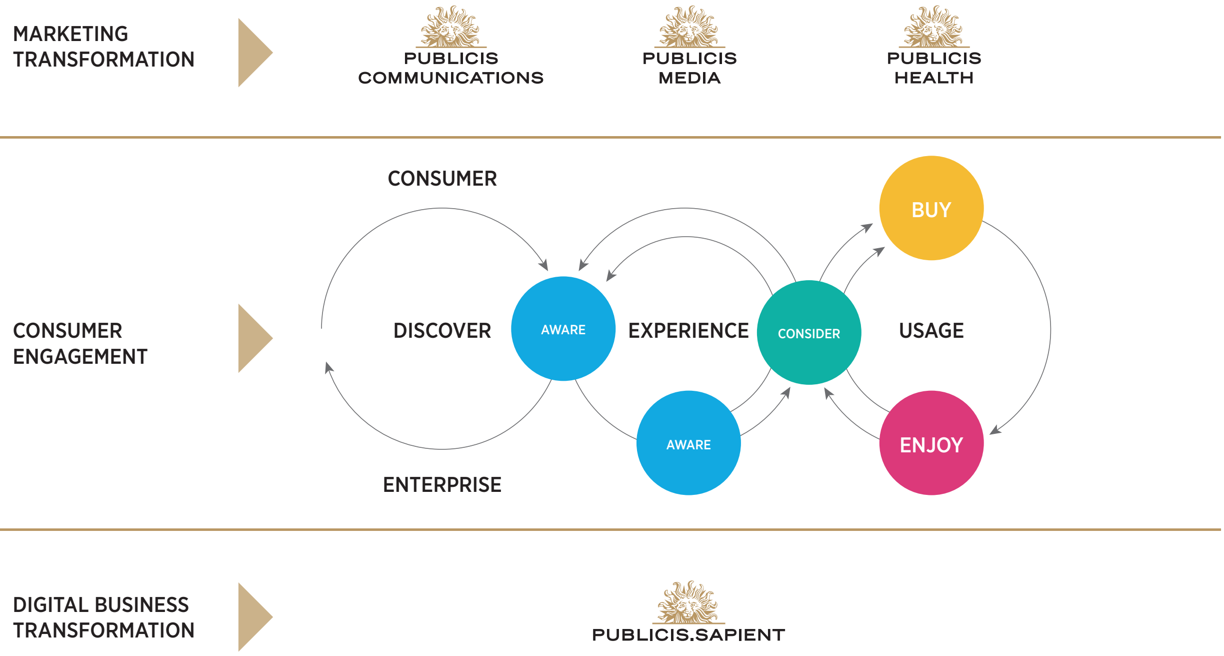
Founded in 1926, Publicis Groupe is today the third largest communications group in the world(1). Throughout its history and its many changes, Publicis Groupe has been guided by one absolute priority, one obsession: its clients!

Customers' needs are at the heart of the Publicis business model. Companies today are faced with enormous challenges and tremendous opportunities: new technologies have transferred power to consumers, redefining ways of communicating, disrupting the landscape and the role of the media, and facilitating the emergence of new competitors. Against this backdrop, Publicis is positioning itself to partner its clients' transformation through their communications and marketing, through their strategy and media deployment, as well as through the digital reshaping of their activities and operations.

The Publicis Groupe is in a position to offer a whole range of solutions to clients in its main countries: creative solutions with "Publicis Communications", media solutions with "Publicis Media", digital solutions with "Publicis.Sapient" and healthcare sector solutions with "Publicis Health". In other countries, a single structure called "Publicis One" combines all of these solutions (creative, media, digital and healthcare).

Thanks to a powerful alchemy of creativity and technology, the Group steers company transformations across the value chain. Publicis is there at every stage of the consumer experience to enhance its client's image and appeal: from brand discovery, which is often digital, through to the act of purchasing, online or in real stores. Digital has turned the way in which consumers and brands interact upside down: it has brought consumers closer to brands by removing the gap between image and experience. Nowadays, our clients' success lies in the harmony that they are able to create all the way along the consumer path: all brand communications must be backed up by business excellence (quality product, distribution channel etc.) and each business activity, particularly online, needs to have emotional added value to set it apart from its competitors.

More than ever, the transformation of companies' marketing is bound up with their digital transformation. Publicis is currently in the best possible position to become the leader of the new market born out of this convergence.



Publicis is capable of bringing its expertise to bear on all points of contact between a company's products or services and its customers. Thanks to its integrated offering (content, data analysis, technology), it can provide its clients with the Group's whole range of expertise as standard.

The Group puts its clients first. Each of its major clients, accounting for one third of the Group's revenue, is assigned a Global Client Leader, and has a separate income statement to help relations with different players within the Publicis Groupe flow more easily. This innovative organization enables the teams' work and use of the Group's know-how to be adapted to meet a client's specific requirements, with the aim of providing it with great ideas that will revolutionize its brands and its business.

The Group's resources are organized by country, to offer our clients the Group's entire range of expertise in a given market and break down walls to offer new, innovative solutions, born out of the alchemy between creativity, data and technology. The Group's main countries are now steered by a single Executive Committee bringing together the members of several solutions, and are managed or supervised by a single person.

(1) See 1.4.8 Competition.

Management Board of Publicis Groupe

CHAIRMAN: ARTHUR SADOUN

JEAN-MICHEL ETIENNE, ANNE-GABRIELLE HEILBRONNER AND STEVE KING

Publicis Communications

CEO: ARTHUR SADOUN

Publicis Communications brings together the Group's creative offering

LEO BURNETT
SAATCHI & SAATCHI
PUBLICIS WORLDWIDE
BBH
FALLON
MARCEL
MSL
PRODIGIOUS

Publicis.Sapient

CEO: ALAN WEXLER

Designed for the world of tomorrow, Publicis.Sapient is the largest technological, digital and consulting platform in its sector

Publicis.Sapient supplies the tools needed for our clients to stay relevant in the digital age.

SAPIENTRAZORFISH
SAPIENT CONSULTING

Client

Publicis Media

CEO: STEVE KING

Solution to optimize media investment and raise consumers' awareness through data.

STARCOM
ZENITH
SPARK FOUNDRY
BLUE 449
PERFORMICS
DIGITAS

Publicis Health

CEO: ALEX VON PLATO

Fully integrated solution dedicated to the healthcare and pharmaceutical sector.

DIGITAS HEALTH
PUBLICIS HEALTH
SAATCHI & SAATCHI HEALTH
PUBLICIS TOUCHPOINT SOLUTIONS

STRATEGY & GROWTH OFFICER: ANDREW BRUCE

The Global Client Leaders are the clients' main point of contact, offering direct access to all Group resources for our major clients.

Publicis One

CEO: JAREK ZIEBINSKI

Beyond the top 20 markets of the Group, Publicis One is a dedicated entity that brings together, under one roof and one leadership, the expertise available in any one country.

Re:Sources

CEO: FRANK VORIS

Partner in excellence, Re:Sources develops targeted initiatives – platforms and services – to help agencies transform and increase productivity (back-office functions, admin staff, enforcement, etc.)

KEY FIGURES

Revenue and organic growth

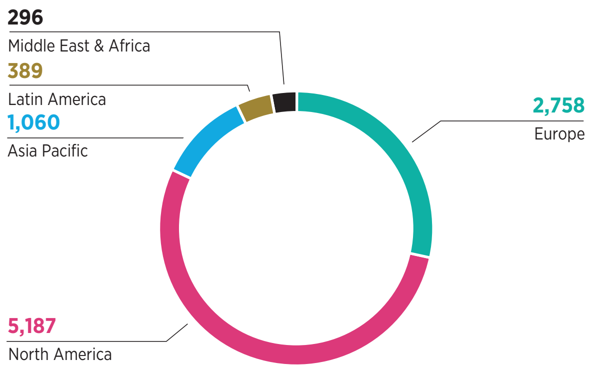
+1.5%
€9,601 million
Revenue in **2015**

+0.7%
€9,733 million
Revenue in **2016**

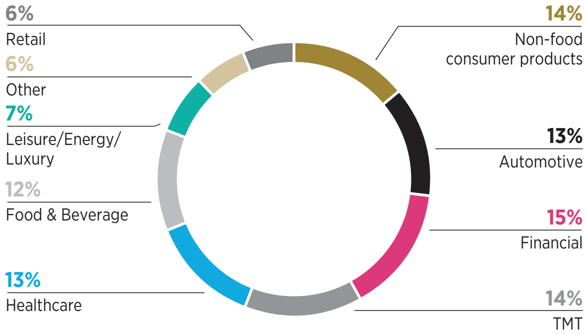
+0.8%
€9,690 million
Revenue in **2017**

Breakdown of 2017 revenue

BY GEOGRAPHIC REGION

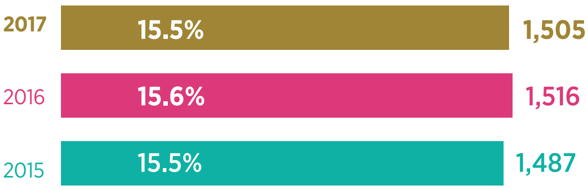


BY CLIENT BUSINESS SECTOR



OPERATING MARGIN*

In euros (millions) and as a % of revenue



HEADLINE GROUP NET INCOME*

In euros (millions)

FREE CASH FLOW BEFORE CHANGES IN WCR*

In euros (millions)

HEADLINE EARNINGS PER SHARE DILUTED*

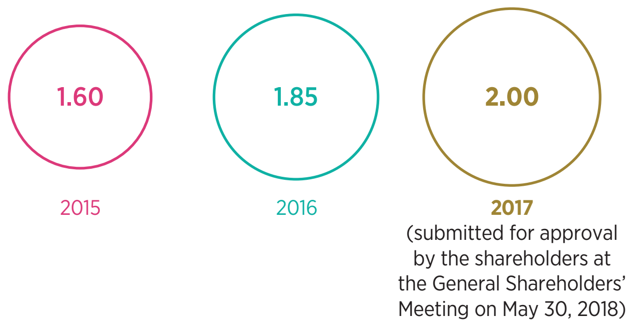
In euros

PAYOUT RATIO*

In %

DIVIDEND PER SHARE

In euros



* *See definitions in the Glossary at the end of the Introduction section.*

TALENT

At December 31, 2017, the Group has

77,767
employees

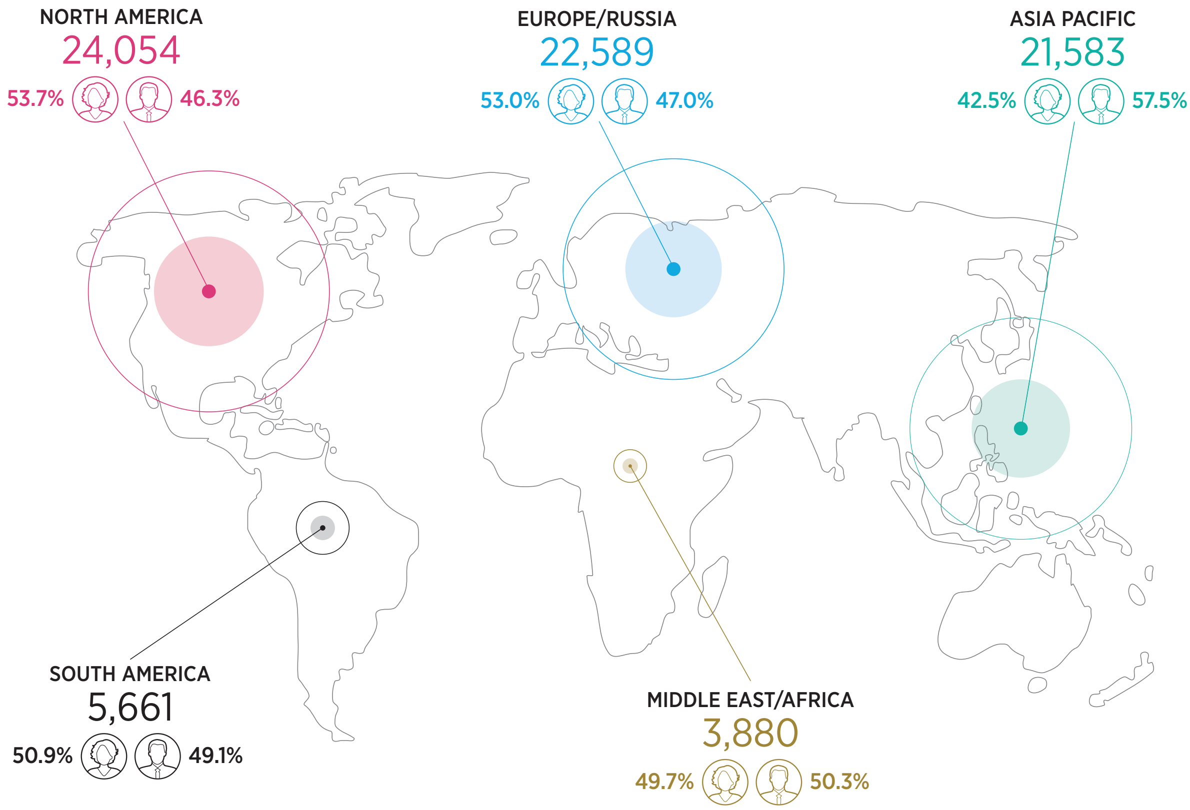
50%
women

50%
men

39%
women on the Agency Management Committees in 2017

69%
of employees have received training in 2017

Breakdown of employees by geographic region



GLOSSARY AND DEFINITIONS

Glossary

The Power of One: Unique offering under which all Publicis Group services are made available to clients (creative, media, digital and healthcare) simply, efficiently and with flexibility.

Solution: Publicis Groupe is the only communication group to organize its structure around four major solutions designed to support clients in their development, through key skills (creative, media, digital and healthcare).

Publicis Communications: Publicis Communications: Publicis Communications brings together the creative offering, with Publicis Worldwide, Leo Burnett, Saatchi & Saatchi, BBH, as well as Prodigious, world leader in production, MSL, Fallon et Marcel, specialist in strategic communications.

Publicis Media: Publicis Media is a market leader in media investment strategies with a vast range of investment, strategy, analysis, data, technology, performance marketing and content experts from Starcom, Zenith, Spark Foundry, Blue 449, Performics and Digitas.

Publicis.Sapient: Publicis.Sapient is a unique platform in the communications industry that covers the entire digital communications value chain, from consulting to sales, via creation, data and platforms. It groups together SapientRazorfish, and Sapient Consulting.

Publicis Health: Publicis Health is a world leader in communication for the healthcare and pharmaceutical industries.

Publicis One: Publicis One unites all the agencies under one roof and one leadership and offers the full range of services to our clients outside of the Group's 20 main markets.

Re:Sources: Re:Sources brings together the Publicis Groupe Shared Service Centers that cover most administrative functions necessary for the operation of all Group agencies.

Global Client Leaders: Global Client Leaders are responsible for all the services and skills made available to the client, regardless of industry or country.

JANUS: JANUS is a set of rules governing behavior and ethics. It applies to all Group employees and sets out the rules of conduct to carry out operations: "The Publicis way to behave and to operate".

Viva Technology: Event co-organized by the Publicis Groupe and the Les Échos Group. This was the first international event devoted to innovation, to the growth of start-ups and to collaboration between major groups and start-up companies in France.

Dynamic creativity: Personalized creative content adapted to consumers based on their characteristics (location, interests, progress on their consumer path, etc.).

Data: Data used to assist clients with their marketing and commercial decisions.

Digital business transformation: Business model transformation consulting services for our clients and their adaptation to the digital world.

Publicis PeopleCloud: A platform created by the Publicis Groupe which combines data collected by clients with the individual identifiers created by the Group and data from third parties to enable better marketing and commercial decisions.

Strategic Game Changers: The three levers proposed by Publicis Groupe to assist its clients with the implementation of a large-scale personalized relationship. They combine the Publicis PeopleCloud platform, dynamic creativity and digital business transformation.

Definitions

EBITDA: Operating margin before depreciation and amortization.

Operating Margin: Revenue after deduction of personnel expenses, other operating expenses (excluding other non-current income and expenses) and depreciation and amortization expenses (excluding intangibles from acquisitions).

Percentage operating margin: Operating margin expressed as a percentage of revenue.

Headline Group net income: Group share of net income, net of impairment losses, amortization of intangibles from acquisitions, main capital gains and losses on the disposal of assets, the revaluation of earn-out payments and the impact of the US tax reforms.

CSR: Corporate Social Responsibility.

WCR: Working capital requirements.

Headline EPS (earnings per share): Headline Group net income divided by the average number of shares on a non-diluted basis.

EPS (earnings per share): Group net income divided by the average number of shares on a non-diluted basis.

Diluted EPS (earnings per share): Group net income divided by the average number of shares on a diluted basis.

Headline diluted EPS (earnings per share, diluted): Headline Group net income divided by the average number of shares on a diluted basis.

Net debt (or net financial liabilities): Sum of long- and short-term financial liabilities and associated hedging derivatives, after deduction of cash and cash equivalents.

Average net debt: Annual average of end-of-month net debt.

Payout ratio: Dividend per share divided by the headline earnings per share (diluted).

Free Cash Flow before changes in working capital requirements: Net cash flow from operating activities before changes in WCR linked to operating activities.

GSM (or GM), OGM, CGM: General Shareholders' Meeting, Ordinary General Shareholders' Meeting, Combined General Shareholders' Meeting.

CHAPTER

1
Presentation of the Group

1.1 KEY FIGURES

In application of European regulation no. 1606/2002 of July 19, 2002 on international norms, the Group's consolidated financial statements for the financial years presented herein have been drawn up according to the IAS/IFRS international accounting standards and the applicable IFRIC interpretations at December 31, 2017 as approved by the European Union.

The tables below present selected consolidated financial data for Publicis Groupe. The selected financial data for the years ended December 31, 2017, 2016 and 2015, are derived from Publicis Groupe's consolidated financial statements included in this document or incorporated by reference and prepared in accordance with IFRS standards. These financial statements were audited by Publicis Groupe's statutory auditors, Mazars and Ernst & Young et Autres.

in millions of euros, except percentages and per-share data (in euros)	**2017**	**2016**	**2015**
Data from the Income Statement			
Revenue	9,690	9,733	9,601
Operating margin before Depreciation & Amortization	1,666	1,682	1,661
% of revenue	*17.2%*	*17.3%*	*17.3%*
Operating Margin	1,505	1,516	1,487
% of revenue	*15.5%*	*15.6%*	*15.5%*
Operating income	1,316	9	1,378
Group share of net income (loss)	862	(527)	901
Diluted earnings per share(1)	3.81	(2.36)	3.99
Headline earnings(2) per share – diluted(1)	4.50	4.46	4.39
Dividend per share	2.00	1.85	1.60
Free cash flow before changes in working capital requirements	1,287	1,261	1,097
Data from the balance sheet	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Total assets	23,780	24,896	25,446
Group share of Shareholders' equity	5,956	6,055	6,556
Net debt (net cash)	727	1,244	1,872

(1) The average number of shares used to calculate diluted earnings per share for 2017 was 230.7 million shares (equal to the number used to calculate earnings per share (EPS). This was 223.5 million shares for 2016 and 226.0 million shares for 2015. The figures used to calculate current diluted EPS were the same as stated previously, except for 2016 for which the average number was 227.7 million shares.

(2) Group share of net income, net of impairment losses, amortization of intangibles from acquisitions, main capital gains and losses on the disposal of assets, the impact of the US tax reforms and the revaluation of earn-out payments.

1.2 GROUP HISTORY

Founded in 1926 by Marcel Bleustein-Blanchet, the Company's name originates from the combination of Publi, for "Publicité", which means advertising in French, and "six" for 1926. The founder's ambition was to transform advertising into a true profession with social value, applying a rigorous methodology and ethics, and to make Publicis a "pioneer of modern advertising". The Company quickly won widespread recognition. In the early 1930s, Marcel Bleustein-Blanchet was the first to recognize the power of radio broadcasting, a new form of media at the time, to establish brands. Publicis became the exclusive representative for the sale of advertising time on the government-owned public broadcasting system in France. But in 1934, the French government withdrew advertising from State radio; Marcel Bleustein-Blanchet therefore decided to launch his own radio station, "Radio Cité", the first French private radio station. In 1935, he joined forces with Havas to form a company named "Cinéma et Publicité", which was the first French company specialized in the sale of advertising time in movie theaters. Three years later he launched "Régie Presse", an independent subsidiary dedicated to the sale of advertising space in newspapers and magazines.

After suspending operations during the Second World War, Marcel Bleustein-Blanchet reopened Publicis in 1946, and not only renewed his relationships with pre-war clients but went on to win major new accounts: Colgate-Palmolive, Shell and Sopad-Nestlé. Recognizing the value of qualitative research, in 1948 he made Publicis the first French advertising agency to conclude an agreement with the survey specialist IFOP. Later, he created an in-house market research unit. At the end of 1957, Publicis relocated its offices to the former Hotel Astoria at the top of the Champs-Élysées. In 1958, it opened the Drugstore on the first floor, which has since become a Paris landmark. In 1959, Publicis set up its department of "Industrial Information", a forerunner of modern corporate communications.

From 1960 to 1975, Publicis grew rapidly, benefiting in particular from the beginnings of advertising on French television in 1968. The Boursin campaign inaugurated this new media: this was the first TV-based market launch in France, and the slogan soon became familiar to everyone in the country: "Du pain, du vin, du Boursin" ("Bread, wine and Boursin"). Several months later, Publicis innovated again by siding with one of its clients in a new kind of battle: the defense of Saint-Gobain for which BSN had launched the first-ever hostile takeover bid in France.

In June 1970, 44 years after its creation, Publicis became a listed company on the Paris stock exchange.

However, on September 27, 1972, Publicis' head offices were entirely destroyed by fire. A new building was built on the same site and the Company set about pursuing a strategy of expansion in Europe through acquisitions the same year, taking over the Intermarco network in the Netherlands (1972), followed by the Farner network in Switzerland in 1973; this resulted in the creation of the Intermarco-Farner network to support the expansion of major French advertisers in other parts of Europe. In 1977, Maurice Lévy was appointed Chief Executive Officer of Publicis Conseil, the Group's main French business, after joining Publicis in 1971.

In 1978, Publicis set up operations in the United Kingdom after acquiring the McCormick advertising agency. In 1984, Publicis had operations in 23 countries across Europe. In 1981 Publicis opened a small agency in New York, which would be called a start-up nowadays.

In 1987, Marcel Bleustein-Blanchet decided to reorganize Publicis as a company with Supervisory and Management Boards. He became Chairman of the Supervisory Board, and Maurice Lévy was appointed Chairman of the Management Board. Since then, the strategy for Publicis has been defined by the Management Board and submitted to the Supervisory Board for approval; all operational decisions are made at the Management Board level.

In 1988, Publicis concluded a global alliance with the American firm Foote, Cone & Belding Communications (FCB) and the two European networks of the two partners merged. Publicis thus expanded its global presence with the help of its ally's network.

Growth accelerated in the 1990s. France's number four communications network, FCA!, was acquired in 1993, followed by the merger of FCA! with BMZ to form a second European network under the name FCA!/BMZ. In 1995, Publicis terminated its alliance with FCB.

On April 11, 1996, Publicis' founder died. His daughter, Élisabeth Badinter, replaced him as Chairperson of the Supervisory Board. Maurice Lévy enhanced the Company's drive to build an international network and offer the Group's clients the broadest possible presence in markets around the world. The acquisitions drive intensified and has become global: first Latin America and Canada, then Asia and the Pacific, India, the Middle East and Africa. The United States was the scene of large-scale projects from 1998 onwards: as Publicis looked to significantly expand its presence in the world's largest market. Acquisitions included Hal Riney, the Evans Group, Frankel & Co. (relationship marketing), Fallon McElligott (advertising and new media), and DeWitt Media (media buying).

In 2000, Publicis acquired Saatchi & Saatchi, a business with a global reputation for talent and creativity. This acquisition was a milestone in the development of the Group in Europe and the United States. In September, Publicis Groupe was listed on the New York stock exchange. This same year, Publicis acquired Winner & Associates (public relations) and Nelson Communications (healthcare communication).

In 2001, Publicis Groupe formed ZenithOptimedia, a major international player in media buying and planning, by merging its Optimedia subsidiary with Zenith Media, which had previously been owned 50/50 by Saatchi & Saatchi and the Cordiant Group.

In March 2002, Publicis Groupe announced its acquisition of the US group Bcom3, which controlled Leo Burnett, D'Arcy Masius Benton & Bowles, Manning Selvage & Lee, Starcom MediaVest Group and Medicus, and held a 49% interest in Bartle Bogle Hegarty. At the same time, Publicis Groupe established a strategic partnership with Dentsu, the leading communications group in the Japanese market and a founding shareholder of Bcom3. As a result of this acquisition, Publicis Groupe established its position in the top tier of the advertising and communications industry, becoming the fourth largest advertising group worldwide, with operations in more than 100 countries and five continents.

From 2002 to 2006, Publicis Groupe successfully integrated Bcom3 and Saatchi & Saatchi and reorganized many of its entities. At the same time it made a number of acquisitions to create a coherent range of services that would address advertisers' needs and expectations, particularly offering different types of marketing services and access to the principal emerging markets. In late 2005, Publicis Groupe obtained its first official rating ("investment grade") from the two leading international rating agencies, Standard & Poor's and Moody's. In late December 2006, Publicis Groupe launched a friendly tender offer for Digitas Inc., a leader in the digital and interactive communications sector in the United States and worldwide. This operation, which was completed in January 2007, was the first step in the Group's remarkable advance into digital technology. The Group correctly foresaw at that time the profound changes that the arrival of digital communications would have on the media world and, with the acquisition of Digitas, immediately positioned Publicis as a market leader in that domain. With the launch of The Human Digital Agency project, the Group thus clearly indicated its intention to integrate digital technology into the heart of its business, thereby reaffirming the desire and vision of its founder to make the Group a "pioneer of new technologies".

During 2007 and 2008, Publicis Groupe undertook a profound reorganization of its structures and operational methods in order to adapt to the requirements of the digital era. It has thus added digital services to its well-known holistic service offer, while simultaneously pursuing the consolidation of its positions in fast-growing economies, both of which will be major challenges in the years to come.

2007 was the year of Publicis' integration of Digitas Inc. This rapid and successful integration triggered a series of acquisitions in the digital domain in order to complete the Group's global offer in the fields of interactive and mobile communication.

In 2007, the Group chose to end its listing on the New York Stock Exchange.

2008 and 2009 were devoted to pursuing Publicis Groupe's priority development in the strong growth area of interactive communications and its expansion to emerging markets.

In January 2008, Publicis Groupe and Google publicly announced a collaborative project. This collaboration, which began in 2007, is founded on a shared vision of using new technologies to develop the advertising business. The arrangement is not exclusive and is expected to complement other established partnerships with leaders in interactive media.

Amid brisk growth in the digital arena, the most visible sign of the Group's transformation was undoubtedly the launch of VivaKi, a new initiative aimed at optimizing the performance of advertiser investments and maximizing Publicis Groupe's market share growth. This initiative allows advertisers to reach precisely defined audiences in a single campaign and across multiple networks.

The global economic crisis in 2009, which saw numerous economies enter into recession and global trade shrink by 12%, did not hinder the development of Publicis Groupe's strategy.

The acquisition of Razorfish – the number two interactive agency in the world after Digitas – from Microsoft in October 2009, brought new strengths to the Group's digital activities, notably in e-commerce, interactive marketing, search engines, strategy and planning, social network marketing and the resolution of technological architecture and integration issues.

During 2009, Publicis Groupe and Microsoft entered into a global collaboration agreement defining three core objectives for the development of digital media. Microsoft's and VivaKi's respective teams will be able to provide clients with greater added value and effectiveness in all the domains of the digital sphere: contents, performance, definition, targeting, and audience ratings.

These developments prove Publicis Groupe's capacity to anticipate market changes in order to meet new client needs and provide solutions in line with consumer expectations, thereby ensuring the Group's continued growth.

In 2009, Publicis Groupe became the world's third-largest communications firm, overtaking its competitor IPG. This position as number three has been considerably strengthened since then.

Thus, having confirmed the success of its strategy, in 2010 the Group continued its investments in digital activities and in developing areas of the world such as China, Brazil and India.

Despite the economic disruption in 2011, which was primarily due to sovereign debt in the euro zone and to another financial crisis in August, followed by the United States' debt rating downgrade, Publicis accelerated the development and implementation of its strategy, prioritizing digital businesses and developing countries. Accordingly, the Group purchased Rosetta, one of the largest digital agencies in North America; Big Fuel, based in New York, and the only agency specializing in social networks, thus significantly strengthening the Group's position in digital media, before also acquiring Talent and DPZ in Brazil and Genedigi in China.

During 2012, a difficult and uncertain year for growth, especially in Europe, Publicis Groupe continued to pursue an action plan that involved acquisitions and agreements designed to intensify the implementation of its strategic choices. The Group thus made a number of targeted acquisitions, particularly in the digital sector, in France, Germany, the United Kingdom, Sweden, the United States, Russia, Brazil, China, Singapore, India, and Israel and, for the first time, in Palestine. Additionally, still in the digital arena, Publicis Groupe and IBM formed a global partnership based on their unparalleled influence on the future of e-commerce.

During 2013, Publicis Groupe actively pursued acquisitions, particularly in the digital sphere and across the globe, in order to achieve critical mass in the various businesses, especially digital, and in the countries in which it already had a footprint, thereby leveraging scale. The market changes seen over the past number of years with a genuine explosion in the Internet and the increasingly marked slowdown in the analog business reaffirmed the Group's strategic decisions and have spurred on the rapid development of digital operations. Having acquired LBi, the largest European independent marketing and technology agency, combining strategic, creative, media and technical expertise, the Group proceeded to combine it with the Digitas integrated global network, creating DigitasLBi, the world's most complete digital network. It capitalizes on the seamless geographical integration of both entities: Digitas' sound position in the United States (the largest digital network), LBi's strong presence in Europe and the strong position of both entities in the Asia-Pacific region.

On July 27, 2013, Publicis Groupe and Omnicom Group Inc. signed an agreement for a merger of equals. In May 2014, Publicis Groupe chose not to pursue the merger with Omnicom Group. With its unique position in the digital business, which offers growth prospects in a communications landscape upset by the rapid emergence of new technologies, the Group accelerated its development in innovative disciplines via the acquisition of several digital agencies and strategic partnerships.

In September, Publicis Groupe and Adobe formed a strategic partnership to offer Publicis Groupe Always-On Platform™ the Group's first comprehensive marketing management platform, which automates and centralizes all the components of client marketing. This unique platform, anchored within VivaKi, available to all Publicis Groupe's agencies and networks and standardized on Adobe Marketing Cloud, will enable, for the first time, all Publicis Groupe's agencies to create attractive content, analyze their marketing, identify and create audience segments, deploy campaigns, as well as monitor and measure marketing performance using a common technology and data structure.

Virtually all of the acquisitions involved digital businesses: agencies specializing in social media, online content, real-time data analysis, e-commerce, digital solutions applied to marketing or multi-channel programs.

The most notable transaction of 2014 was the acquisition of Sapient, announced on November 3, 2014. In an increasingly converged world, clients need a partner offering digital solutions to help them keep up with a connected, empowered consumer whose behavior has completely changed. The contribution of Sapient combined with Publicis Groupe's know-how in the digital area, creativity, media and brand communication creates unparalleled expertise in marketing and sales across all distribution channels and consulting services based on outstanding technological prowess. The latent needs of advertisers in light of numerous changes in the economy, consumers and technology, require an overhaul of marketing and communication models, and sometimes even of the companies themselves. Thanks to Sapient, Publicis is in a position to meet all the transformation needs of its clients.

2015 was particularly active on the operational side. The start of the year saw the completion of the Sapient acquisition and the launch of the Publicis.Sapient platform. This platform offers clients all of the functionality of the digital communications value chain, from consulting to sales, via creation, data and platforms. It is backed up by a team of over 8,000 people based in India.

Publicis.Sapient is part of the new organization announced at the end of the year, aimed at structuring the Group in such a way that its clients are at the very heart of its organization. In the Group's top 20 markets, major clients will each be assigned a Global Client Leader or a Country Client Leader, depending on the geographical scope of the support they require. In this way, the Group can offer the entire array of solutions to its clients: creative solutions through "Publicis Communications", media solutions through "Publicis Media", digital solutions through "Publicis. Sapient", and healthcare solutions provided by "Publicis Health". For all other countries, a single structure called "Publicis One" combines all these solutions (creative, media, digital, healthcare) in each country.

Publicis Groupe is thus implementing the most integrated organization in the sector, for the benefit of its clients and employees alike. This structure should foster growth for the Group by harnessing the opportunities offered by the integration and the new possibilities in consulting and technology as well as enhance the operating margin rate by simplifying the organization. The new structure was rolled out over the first few months of 2016.

A very large number of media accounts were up for tender in 2015. According to RECMA, there have been tenders for over USD 20 billion worth of billings in 2016. Publicis Groupe was one of the most exposed of the major communication groups. However, the Group consolidated its position with its clients (Coty, Citi) and made prestigious budget gains such as Taco Bell, VF, Visa and Etihad. There were some losses, including the "US Media" budgets for Procter & Gamble and Coca-Cola.

Publicis Groupe continued its tactical acquisitions strategy, with a view to completing its operational networks, both in expertise (content, commerce, behavioral analysis) and geographical scope (South Africa, Israel).

As announced at the end of 2015, the work to implement the new structure was completed by mid-2016. This structure abandons the holding company model, in order to develop a company operational architecture based on the Connecting Company concept. Highly modular in structure, the Connecting company model of Publicis Groupe is unlike any other platform in its genre, and offers clients plug & play access to our state-of-the-art services. It has enabled us to completely rethink our approach:

- Client priority – The entire transformation of Publicis Groupe was designed and carried out in order to place our clients at the heart of our operation. Their requirements and objectives help us determine which solutions should be offered to them, to ensure their success and growth.
- A fluid model – Just one person – Global Client Leader or Country Client Leader – a sole point of contact and account manager who can draw upon our pool of almost 80,000 talented employees, and who can break free from the silos, the legacies of the past and longstanding habits.
- We work in complete harmony – We have consolidated our income statements and removed all operational hurdles.
- We are modular – The main advantage of our new structure is not just the depth and breadth of our capabilities, but above all our ability to adapt to any situation and to individual client requirements, with an open architecture that offers our global partners plug & play access where required. This modularity is fundamental; it opens up new opportunities for innovation and helps us keep pace with the rhythm of change that currently shows no signs of slowing down.
- We are united – By fusing our creativity, our intelligence and our technological expertise, we are able to present ideas to our clients on how to carry out their own transformations and ensure a consumer experience unlike that offered by any other agency or holding company on the market.

Prestigious clients including USAA, Hewlett Packard Enterprise, Walmart Stores and ASDA all recognize the strength of our "The Power of One" solution. Boosted by this early success, the decision was taken to roll out this new initiative to all employees and to promote our "The Power of One" solution to all existing clients.

Two events that took place in 2016 have made Publicis history. The first was Viva Technology Paris, an event organized in association with the "Les Échos" group. The goal was to stage a global event in Paris that would bring together start-ups and major stakeholders in the digital industry. This event, held from June 30 to July 1 and 2, 2016, attracted 5,000 start-ups, dozens of large industrial groups and investors, and included over 300 conferences with the biggest names in the global hi-tech sector. With over 45,000 visitors in three days, Viva Technology proved a great success and underscored the pre-eminent place of the Publicis Group in the global digital economy. This annual event returned for its second edition on June 15, 2017, just before the Cannes Lions Festival. On the occasion of its 90th anniversary, Publicis Groupe launched a project named Publicis90. This idea was to provide 90 projects or start-ups with financial aid and the support of the Group's digital experts. After an initial phase of stringent selection over a period of several months, the winners were selected from among the 3,500 contestants from 130 countries, and received their awards at a ceremony held during Viva Technology.

At the beginning of 2017, the Publicis Groupe Supervisory Board appointed Arthur Sadoun as Maurice Lévy's successor as Chairman of the Management Board. Since June 1, 2017, Maurice Lévy has been a member of the Supervisory Board which he now chairs. Arthur Sadoun chairs a Management Board strengthened by the addition Steve King, CEO of Publicis Media, who joined forces with Jean-Michel Etienne, Deputy CEO in charge of finance and Anne-Gabrielle Heilbronner, Secretary General.

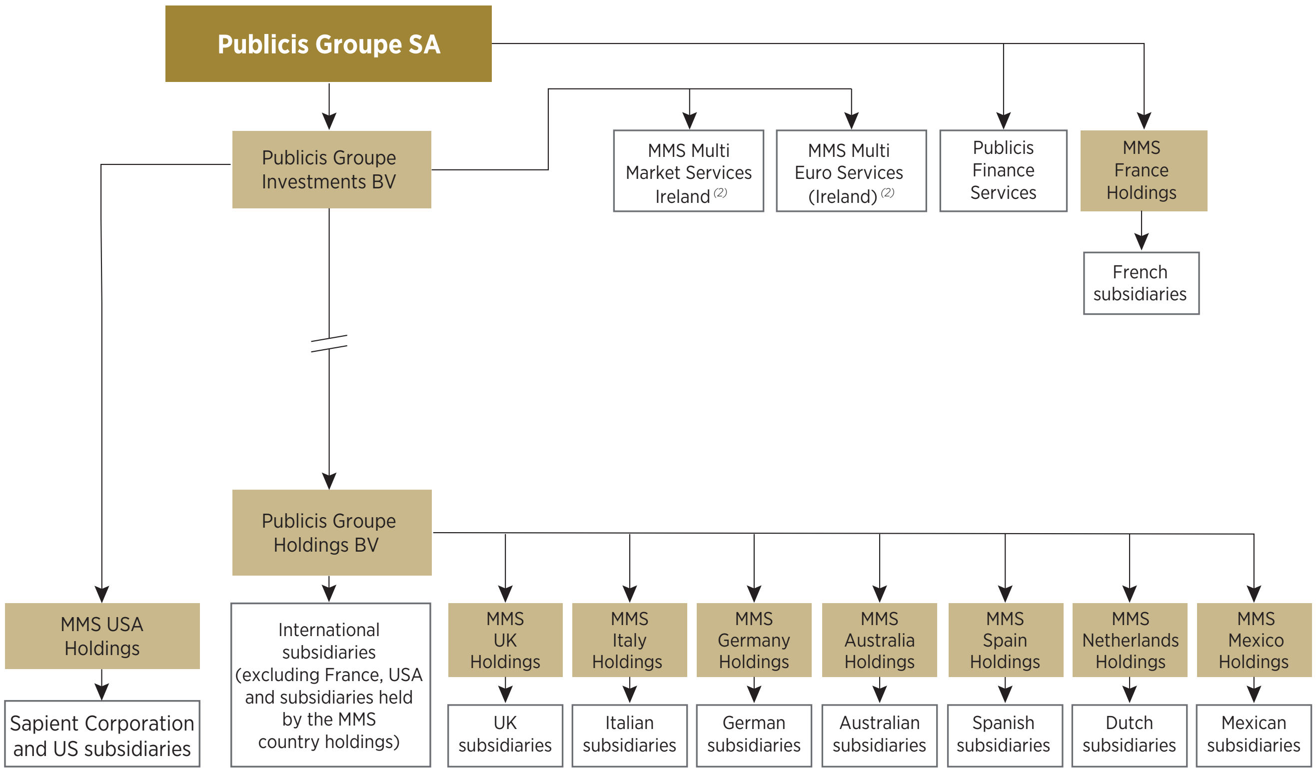
2017 was marked by two topics: going deeper in integration and faster in the execution of the strategy prepared by Maurice Lévy. Our ambition is to become the leader in the convergence of marketing and operational transformations, through the alchemy of creativity and technology. For this, the Group has created two new decision-making entities, the Executive Commitee and the Management Committee. Several talented people joined the Group during the second half of 2017: Véronique Weill, as General Manager, with responsibility for Re:Sources, IT, real estate, insurance and mergers and acquisitions, Agathe Bousquet, as Chairperson of the Publicis Group in France, Emmanuel André in the newly created position of Chief Talent Officer (CTO). Annette King will be appointed during the second quarter of 2018 as CEO of Publicis Group in the United Kingdom, where she will supervise the Group's activities in this market. Nick Law will also join the Group as Group Chief Creative Officer and Chairman of Publicis Communications.

After breaking the silos and organizing itself into Solutions, the Group has gone a step further by implementing an organizational structure by country, with the aim of providing customers with a fully integrated offer, from advertising to marketing, consulting, and the media, with data at its core. The deployment of this organization has begun in France, the United Kingdom, China and Italy.

1.3 ORGANIZATION CHART

1.3.1 Description of the Group

SIMPLIFIED ORGANIZATION CHART AT DECEMBER 31, 2017(1)



(1) All companies mentioned by name are over 99% owned by the Group.
(2) Two financial companies established in Dublin have been added to the Group to manage financial transactions and the short-term investing of subsidiaries' liquidity.

1.3.2 Main subsidiaries

Information concerning Publicis' principal consolidated subsidiaries at December 31, 2017 is provided in paragraph A, Note 32 to its consolidated financial statements in Section 5.6 of this Registration Document.

None of the Group's controlled subsidiaries accounts for more than 10% of the Group's revenue or net current consolidated income.

None of the companies presented in the list of principal consolidated subsidiaries at December 31, 2017 had been sold at the date hereof, with the exception of Shanghai Genedigi Brand Management Co. Ltd. the sale of which was completed in early 2018.

The majority of the Group's subsidiaries are at least 90% held by Publicis Groupe.

In addition, the Group holds interests in certain bodies in which the percentage of interest may be significant but which are not controlled by the Group. Information concerning the main entities as well as the percentages held by the Group is provided in paragraph B, Note 32 to its consolidated financial statements in Section 5.6 of this document. However, these entities do not hold important assets and are not intended to hold any significant borrowings or financing. The borrowings and financing of the Group are 100% held and controlled by Publicis Groupe.

During 2017, Publicis Groupe SA took no significant stake in any company headquartered in France.

1.4 ACTIVITIES AND STRATEGY

1.4.1 Introduction

Publicis Groupe has never taken its eyes off the future. In 1926, Marcel Bleustein-Blanchet created what was essentially a start-up, named Publicis. The passion that Marcel felt for communications and the creation of strong relations between clients and consumers, transformed this new business into a prosperous and respected profession. The values he defended – attention to others, respect, the truth of the product, customer satisfaction, quality and creativity – continue to drive the Group today. The pioneer spirit, the unwavering convictions and the ethical values of our founder – his legendary combativity – have forged an exceptional group. Publicis Groupe was build on a succession of innovations and transformations which have solidified the culture and know-how with which the Group continues to be deeply impregnated.

Publicis Groupe is a world leader in marketing, communication[1] and digital transformation[2]. Present throughout the value chain, from consulting to creation and execution, Publicis Groupe serves its clients through a unified, fluid organization that facilitates access to all its expertise worldwide. It focuses on four major Solutions hubs: “Publicis Communications” for the creative networks (Publicis Worldwide with Marcel, Fallon, MSL, Saatchi & Saatchi, Leo Burnett, BBH, and Prodigious); “Publicis Media” (Starcom, Zenith, Spark Foundry, Performics, Digitas and Blue 449); “Publicis.Sapient”, a unique global digital platform (SapientRazorfish and Sapient Consulting) and Publicis Health. The Group is present in more than 100 countries and has close to 80,000 employees.

1.4.2 Strategy

Founded in 1926, Publicis Groupe is today the third world communications group[1]. Thanks to a powerful alchemy of creativity and technology, the Group steers company transformations across the value chain.

In the era of connectivity, Publicis Groupe has reinvented itself, going from a “Holding Company” status to that of a “Connecting Company”. Highly modular in structure, the Connecting Company model of Publicis Groupe is unlike any other platform in its genre, and offers clients plug & play access to our state-of-the-art services. With support from a Global Client Leader, the Group’s customers benefit from unlimited, intermediate-free alchemy between creativity and technology. To facilitate connectivity and integration, the Group is organized around four Solutions hubs: Publicis Communications, Publicis.Sapient, Publicis Media and Publicis Health which operate in the 20 major markets. Beyond the 20 major markets, it created Publicis One. In this latest model, all agency brands are maintained and share the same essential operational services, giving them the power and know-how of the combined skill hubs. They can offer solutions at a suitable level to fight against competitors and gain new global markets. As a “Connecting Company”, the Group acts in The Power of One mode: driven by a common goal, a great open-minded approach, a distinctive personality and a constant desire to serve our customers well.

Customer needs are at the heart of the “Connecting Company” model. Companies today are faced with enormous challenges and tremendous opportunities: mobile technologies have transferred power to consumers, thus disrupting the landscape and facilitating the emergence of new competitors. Designed to support our customers in this new rapidly changing environment, Publicis Groupe’s model provides more innovation, ideas and growth, in a shorter time period and at lower cost.

The “Connecting Company” model allows the Group to totally rethink its approach:

- *Customer priority*. The entire transformation of Publicis Group was designed and carried out in order to place our clients at the heart of our operation. Their requirements and objectives help the Group determine which solutions should be offered, to ensure their success and growth.
- *A fluid model*. The key function of Global Client Leader was created – a sole point of contact and account manager who can draw upon our pool of almost 80,000 talented employees, and who can break free from the silos, the legacies of the past and longstanding habits.
- *Working in complete harmony*. We have consolidated our income statements and removed all operational hurdles.
- *Modularity*. The main advantage of our new structure is not just the depth and breadth of our capacities, but above all our ability to adapt to any situation and to individual client requirements, with an open architecture that offers our global partners plug & play access when required. This modularity is fundamental; it opens up new opportunities for innovation and helps us keep pace with the rhythm of change that currently shows no signs of slowing down.
- *The Unit*. By merging our creativity, our intelligence and our technological expertise, we are able to present ideas to our clients on how to carry out their own transformations and ensure a consumer experience unlike that offered by any other agency or holding company on the market.

(1) See 1.4.8 Competition.

(2) According to the Ad Age list of the 15 largest digital communication networks (based on 2016 revenue).

Value creation strategy

The media evolutions with the emergence and explosion of the Internet, Google, Microsoft, the appearance of social networks (Facebook, YouTube, Instagram, Twitter), the development of digital television and the proliferation of channels, changing consumer behavior and consumer markets and the fragmentation and growing complexity caused by the interactions between all these actors led to the establishment of the first stage of Publicis' recent strategy. Since 2006, the Group has focused on developing its digital business. The acquisitions carried out over the last 10 years, particularly Digitas, Razorfish, Rosetta and LBi, have enabled us to enrich our offer of services adapted to the digital universe, in the areas of advertising, data, CRM and customer experience. With the Sapient acquisition, we have positioned ourselves as the indispensable partner for our clients in their operational transformations – a new challenge for advertisers in meeting the disruptions induced by digital technologies in their relations with consumers and media players.

The Group's acquisitions remain focused on the development of strategic game changers (data, content, digital business transformation) and must satisfy profitability and financial stability criteria.

The Group intends to seek targets with significant potential for synergies and improvement in operating margin, which also present a good fit with its corporate culture and values.

The new complexity of the media scene, interactivity with consumers and the increase in advertisers with the arrival of new actors from emerging economies, or made possible by new media, confirm the strategy chosen by Publicis and commit it to pursuing and developing a new phase which should lead the Group from the status of "supplier of services" to "creator of value". Its clients' new concerns – whether relating to the search for value, the strength of brands, the new challenges represented by distributors' own brands, "hard discount", the net, e-commerce, m-commerce, the new competition from emerging markets or the challenges of sustainable development (CSR) – all present opportunities for Publicis as it evolves towards a better recognition of the value created.

1.4.3 Key activities and Group organization

Since 2016, Publicis Groupe has placed its clients at the heart of its organization. In the Group's top 20 markets, the major clients that use Publicis Groupe services on more than one market are each assigned a Global Client Leader. Major clients that use Publicis Groupe services in only one country are assigned a Country Client Leader. In this way, the Group can offer the entire array of solutions to its clients in a horizontally integrated fashion: creative solutions through "Publicis Communications", media solutions through "Publicis Media", digital and technological solutions through "Publicis.Sapient", and healthcare solutions provided by "Publicis Health". For all other countries, a single structure called "Publicis One" combines all these solutions (creative, media, digital, healthcare) in each country.

Publicis Groupe provides an extensive range of communications and marketing solutions designed to meet each client's particular and evolving needs through a horizontally integrated and global approach. These encompass four main categories:

- Creative Solutions;
- Media Solutions;
- Digital Solutions;
- Healthcare Solutions.

Publicis Communications

Think "global", act "local" may sound like a cliché but it is a reality: we only have to look at our client's brands, which are growing increasingly global every day.

For this reason, besides the creative output of advertising agencies we see every day on billboards, TV, radio or in newspapers and all new media, advertising networks today play an essential role in accompanying their clients in the global development of their brands and foreseeing consumers' rapidly evolving needs.

The primary mission of advertising agencies and networks is to find ideas that are, at the same time, sufficiently universal to bridge borders and yet adaptable to local markets, so consumers can easily and effectively receive the ideas conveyed.

Publicis Communications brings together the Group's creative offering: Publicis Worldwide, Leo Burnett, Saatchi & Saatchi, BBH, Marcel, Fallon as well as Prodigious, production specialist and MSL, specialist in strategic communications. Publicis Communications' strategy focuses on three main principles:

- creativity at the heart of our organization;
- access to comprehensive and unequaled expertise;
- a single, simpler and faster entity.

Publicis Communications aims to become the essential creative partner for its customers in order to support them in their transformations. All of the Solution entities will operate as an internal accelerator to allow us to transform our ability to offer cutting-edge expertise and make it available to all customers, whilst strictly respecting their confidentiality.

The global brands with the greatest success are the fruit of this partnership and reciprocal confidence, and Publicis Groupe agencies are proud to manage a great number of these brands.

The services provided cover the entire communications strategy chain:

- advertising;
- interactive communications and digital marketing;
- direct marketing and CRM (Customer Relationship Management);
- sales promotion and point-of-sale marketing;
- public relations;
- corporate and financial communications;
- events communication.

Alongside advertising networks, Publicis Communications also integrates Prodigious for the design and delivery of branded content for all channels, with the most advanced tools and processes. Publicis Groupe's production business, Prodigious can provide its agencies and clients state-of-the-art production means.

Publicis Media

Publicis' media services include helping clients ensure the most effective media are used for their communications campaigns and buying on their behalf the most suitable advertising space (conventional or digital media). The digital business is growing significantly. These integrated networks of strategy experts, investment experts, creators and digital technology specialists are critical to the building of brands. Publicis Media has six global brands: Starcom, Zenith, Spark Foundry, Blue 449, Performics and Digitas.

The aim was to consolidate the brands' investment capabilities and to pool skills.

The following services are provided:

- **media consulting/media planning:** using computer software and data analysis related to consumer behavior and analysis of different media audiences in order to build the most effective plan to implement an advertising or communications strategy, tailored to the marketing objectives, the target audience and the client's budget;
- **purchase of space:** purchase of all advertising space (radio, television, billboards, press, Internet and cell phones) on behalf of an advertiser as part of an agreed media plan, using the Group's experience and buying power to obtain the most favorable rates and terms and conditions for our clients.

Publicis.Sapient

Publicis.Sapient is Publicis Groupe's technological, digital and consulting platform, enabling our clients to accelerate their digital transformation. Publicis.Sapient which brings together the know-how of the digital experts and experienced consultants of SapientRazorfish and Sapient Consulting, supports our clients in an agile, proactive way, to redefine their digital strategy. Publicis.Sapient is backed up by a team of close to 20,000 employees, 8,000 of them in India.

In 2017, Publicis.Sapient completed the merger of SapientNitro and Razorfish to create SapientRazorfish, which integrates the consumer experience and technological know-how of both entities to better respond to client requirements. The merger of the two companies created an unrivaled leader positioned as a new kind of partner, able to re-think the future by employing a model that makes the client the focus of the business, while taking advantage of considerable experience in managing change. Publicis.Sapient is currently comprised of SapientRazorfish and Sapient Consulting. This ensemble leads the Publicis effort to support businesses as they transform and learn about the future.

Publicis Health

Publicis Healthcare Communications Group has operations in 11 countries and a major presence in the United States. PHCG includes some flagship brands such as Digitas Health (DH) and Publicis Health Media (PHM), specializing in media for the healthcare and well-being sector, which created a holistic model by combining its expertise with the Group's media networks, and in-sync Consumer Insight which brings in a deep knowledge of patients, healthcare professionals and payer organizations, providing strong differentiation. Publicis Health covers all of its customer needs, from product launch to its change to a generic product, by offering digital and marketing solutions.

Healthcare communications is concerned with the pharmaceutical industry, institutes, hospitals and insurance companies, as well as companies producing consumer goods aimed at health and well-being. It must reach healthcare professionals, public authorities and the general public. Healthcare communications encompass a wide range of services covering the entire product life cycle: consulting prior to release on the market, communication tools (advertising, direct marketing, digital and telemarketing, etc.), medical training, scientific communications, Public Relations, events management and hiring temporary sales staff.

Publicis One

The Group generates more than 90% of its revenue in around 20 countries. Consequently, a number of countries do not receive the attention that they deserve, and the Group's presence there is often too fragmented. For this reason, all these countries will now be managed through a dedicated Group entity, "Publicis One". In "Publicis One" countries, all entities will be brought together under the same roof and with the same management. This will ensure improved coordination of all the services offered to our clients, whilst strictly respecting confidentiality. In view of both their size and full range, these structures will be able to attract the most talented individuals.

Global Client Leaders

In a connected world in which the consumer has seized power and where no sector escapes major upheavals, we must adopt new collective working habits, in order to anticipate clients' constantly changing needs. Publicis Group's transformation aims to better support our clients by placing them once again at the heart of our work, and by ensuring fully integrated services, provided by the most talented individuals.

The Global Client Leader is responsible for making this vision a reality. His/her role is to strengthen and sustain the relations between Publicis Groupe and our clients, to simplify our organization in order to facilitate customer access to exceptional talents and abilities. The aim is to propel our clients into the future to help them make a difference. Greater effectiveness and solutions driving real change are the growth drivers for both our clients and Publicis Group.

For the client, the GCL is a full partner whose mission is to succeed in creating an alchemy between creativity and technology, guided by the search for growth and an innate sense of collaborative work, to offer the best of Publicis Group to our clients.

Re:Sources

The Connecting Company model is revealed through the Group's agencies that collaborate to implement ingenious, rapid and dynamic solutions. Re:Sources is the backbone of this model, and provides logistics support in over 100 countries to 80,000 Group employees. To help Publicis Group's agencies to transform themselves, innovate and increase productivity, Re:Sources provides cutting-edge solutions, technological platforms and expertise. United under the banner "Excellence through collaboration", Publicis Groupe's shared services work hand in hand with the agencies, supporting them in finding the best solutions in order to provide their clients in turn with a superb customer experience and a good return on investment.

Parent company

Publicis Groupe SA is the Group's holding company. Its main purpose is to provide advisory services to Group companies. The central costs of consulting services rendered by the parent company and its specialized subsidiaries totaled approximately euro 53 million in 2017 (excluding subsidiary acquisition costs), spread out over all of the Group's operational companies according to the cost of services rendered. In addition, the parent company received dividends from subsidiaries amounting to euro 72 million in 2017 (euro 215 million in 2016).

Finally, the parent company carries most of the Group's medium- and long-term borrowings.

1.4.4 Group assets

The Group conducts operations in over 200 cities around the world. Except as stated below, it leases, rather than owns, the offices it occupies in most of the cities where it operates. At December 31, 2017 it owned real estate assets with a net book value of euro 158 million. The Group's main property asset is its corporate headquarters located at 133, avenue des Champs-Élysées, in Paris, France. This seven-story building includes around 12,000 sq.m. of office space occupied by Group companies, and 1,500 sq.m. of commercial space, occupied by Publicis drugstore and two public movie theaters.

The main asset under a finance lease is the Leo Burnett office building located at 35 West Wacker Drive in Chicago, Illinois, United States, with a net value of euro 43 million in the Group's consolidated financial statements as at December 31, 2017, and a gross value of euro 89 million as at the same date, depreciable over 30 years.

The Group owns major IT systems and hardware that are used in the creation and production of advertising, the management of media buying and administrative functions.

Since December 31, 2017 the Company has not planned any significant capital expenditures with respect to property, plant and equipment or intangible assets, other than investments made by the Group in the regular course of its business.

1.4.5 Main clients

Publicis Groupe provides advertising and communications services to a diversified customer portfolio that is representative of the global economy. It has a significant number of clients that are either national or global industry leaders, with more than half of its revenue generated by international clients, i.e. clients with operations in more than five countries. The top 30 clients represent 36% of the Group's consolidated revenue (see Section 5.6 "Notes to the consolidated financial statements" – Note 26). Payment terms are consistent with general market practices and the regulations in force in each of the countries in which the Group operates. Revenue from, and contracts with, different clients vary from year to year. Nonetheless, a significant share of Publicis Groupe's revenue comes from loyal clients that have been with the Company for years.

The main clients of the Group's major networks in 2017 are listed below:

PUBLICIS COMMUNICATIONS

Allstate, Altria, Citigroup, Deutsche Telekom, Fiat Chrysler Automobile, General Motors, Groupe Carrefour, Heineken, Kellogg, L'Oréal, McDonald's, Nestle, Orange, Philip Morris International, Procter & Gamble, Renault, Samsung, Toyota, Volkswagen, Walmart.

PUBLICIS MEDIA

Best Buy, Citigroup, Comcast, Coty, Daimler, Deutsche Telekom, Fielmann Optical, Kellogg, Kohl's, Kraft Heinz, Lowe's, Mars, Nestle, Novartis Pharma, Procter & Gamble, Reckitt Benckiser, Samsung, Sprint Nextel, Toyota, Verizon.

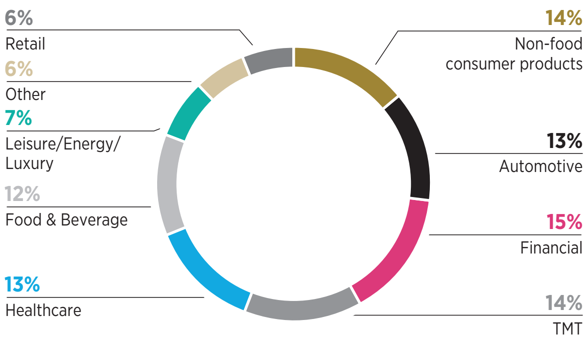
PUBLICIS.SAPIENT

Amex, Bank of America, Bed Bath and Beyond, Citigroup, Comcast, Daimler, Fiat Chrysler Automobile, Goldman Sachs, Hewlett Packard Enterprise, Honda, Lloyds Banking Group, Marriot Group, McDonald's, Nissan, Samsung, Unilever, US Dept. of Health and Human Services, Verizon, Wellington Management Co LLP, Whirlpool.

PUBLICIS HEALTH

Astra Zeneca, Duchesnay, Gilead, J&J, Merck & Co., Neos, Novartis, Pfizer, Sanofi, Shire, Sunovion, Synergy.

In 2017, the Group's total revenue came from the following client business sectors:



On the basis of 3,233 clients representing 86% of the Group's total revenue.

The share of revenue by principal client sector is representative of the major economic players and the structure of the portfolio remains stable.

1.4.6 Main markets

Global advertising expenditures are listed in regular reports by various forecasting agencies, such as Zenith (Publicis Group), GroupM (WPP), Magna (Interpublic), Nielsen... The forecast data published by these agencies reflect advertisers' media purchase intentions (advertising space). These estimates are expressed in billings (advertising purchases) and do not as such represent advertising agencies' potential revenue. A quarterly examination of these reports enables readers to assess the trend of the advertising market, even if the figures do not factor in a whole facet of advertising agencies' business activities (public relations, direct marketing, CRM, e-commerce and e-mobile, etc.).

The global advertising market by geographic region

Global market ranking 2017	Advertising expenditure 2017 *(in USD millions)*[(1)]	% of global advertising expenditure 2017[(1)]	% of Publicis Group's revenue 2017
North America	207,127	37%	54%
Europe	119,841	22%	28%
Asia Pacific	183,155	33%	11%
Latin America	32,232	6%	4%
Africa & Middle East	13,167	2%	3%
TOTAL	**555,522**	**100%**	**100%**

(1) In current prices and at 2017 average exchange rates.
Source: Zenith.

Geographical breakdown of Publicis Groupe's revenue

(in millions of euros)	2015	As a %	2016	As a %	2017	As a %
North America	5,184	54%	5,236	54%	5,187	54%
Europe	2,664	28%	2,760	28%	2,758	28%
Asia Pacific	1,066	11%	1,085	11%	1,060	11%
Latin America	412	4%	365	4%	389	4%
Africa & Middle East	275	3%	287	3%	296	3%
TOTAL	**9,601**	**100%**	**9,733**	**100%**	**9,690**	**100%**

1.4.7 Seasonality

Clients' advertising and communications expenditure fluctuates, often in response to actual or expected changes in consumer spending. Because consumer spending in many of the Group's markets is typically lower at the beginning of the year, following holidays, and in July and August, the most popular vacation months in Europe and North America, advertising and communication expenditures are lower during these periods as well. As a result, advertising and communication expenditure is not as high during these periods. Historically, the Group's revenue is often higher in the second and fourth quarters of the year than in the first and third quarters.

1.4.8 Competition

Since 2009, the Group has been ranked in third place in the global ranking of communications groups (by revenue, source: companies' annual reports).

See the table below for the published earnings of the top four groups in 2017:

(in millions)	WPP (IFRS)	Omnicom (US GAAP)	the Publicis Group (IFRS)	Interpublic (US GAAP)
Figures published in local currency	£15,265	$15,274	€9,690	$7,882
Figures published in dollars(1)	$19,639	$15,274	$10,921	$7,882

(1) 2017 exchange rate: €1 = $1.127 = £0.876.

The reader should note that the figures above are those published by the groups concerned, in the currency and according to the accounting standards used by each of them.

Publicis Groupe also competes with a large number of local, independent advertising agencies in markets around the world, via its Specialized Agencies and Marketing Services. New competitors have emerged in the IT/consulting sectors, such as Accenture, Deloitte and Capgemini.

Generally speaking, the advertising and communications markets are highly competitive and the Group is in constant competition with national and international agencies. The Group expects that competition will continue to stiffen as multinational advertisers increasingly consolidate their budgets among a restricted number of agencies, and the communications sector sees significant changes, reflected in the appearance of new competitors from the consulting or high-tech industries.

1.4.9 Governmental regulations

The Group's business is subject to government regulation in France, the US and elsewhere.

In France, media buying activities are subject to the Sapin Law, a law requiring transparency in media buying transactions. Pursuant to the Sapin Law an advertising agency may not purchase advertising space from media companies and then resell the space to clients on different terms. Instead, the agency must act exclusively as the agent of its clients when purchasing advertising space. The Sapin Law applies to advertising activities in France when the media company and the client or the advertising agency are French or located in France.

Many countries have strict laws governing the advertising and marketing of certain products, in particular tobacco, alcohol, pharmaceuticals and foodstuffs. New regulations or standards imposed on the advertising or marketing of such products could have an adverse impact on the Group's operations.

The Group has adapted its data protection policy to comply with European Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which enters into force from May 25, 2018.

1.5 INVESTMENTS

Our investments focus on digital expertise and creative excellence in order to enrich content, strengthen our teams and promote innovation and new service offerings. The strengthening of our agencies and the development of strategic partnerships and initiatives with major Internet players allows Publicis Groupe to anticipate the changes and evolution of communications industries towards digital technologies. The aim is to offer the most innovative solutions to our clients, in phase with the rapid changes in consumer behavior and technologies.

1.5.1 Main investments during the past three years

2015 saw the completion of the Sapient acquisition in February. With the creation of the Publicis.Sapient platform, this acquisition enables Publicis clients to access all digital expertise in communications, marketing, omni-channel commerce and consulting.

On January 27, 2015, acquisition of Monkees, a key French agency specializing in digital marketing and social media. Monkees has a staff of 25 people and works with clients of renown in mass retailing and specialized distribution, auto manufacturing, health and sport.

On February 16, 2015, exclusive negotiations opened for the planned acquisition of Relaxnews, a press agency (member of the French Federation of Press Agencies and the International Press and Telecom Council), with global expertise in: consulting, production and management of content animation for the digital transformation of media and firms.

On February 26, 2015, acquisition of Epic Communications, South Africa's leading independent integrated strategic communications agency. With 50 consultants across its Johannesburg and Cape Town offices, Epic is the undisputed leader in the South African market, and a company with growing influence in the rest of Africa. Epic services over 40 retainer clients including Samsung, Nedbank, DHL, Cipla and Old Mutual. Since its creation, it has recorded more than 40% average annual growth. In 2014, the agency received the title of African Consultancy of the Year at the EMEA Sabre Awards.

On March 12, 2015, acquisition of Expicient Inc., a leading global omni-channel services agency with significant expertise in inventory and Order Management Systems (OMS). Founded in 2008, Expicient has a team of over 200 and is based in Andover in Massachusetts, with offices in the United Kingdom and India (Gurgaon and Bangalore). Expicient works for well-known global brands including the Aldo Group, Argos, Bed Bath & Beyond, BJ's Wholesale Clubs, DHL, eBay Enterprise, Guitar Center, J. Crew, Lily Pulitzer, Lockheed Martin, Marks & Spencer, Michael Kors, Ralph Lauren, Staples, Target, Tesco and Williams Sonoma, amongst others.

On March 17, 2015, Publicis Groupe acquired 2,406,873 of its own treasury shares from the Badinter family for a total amount of euro 176 million, equal to euro 73.03 per share. This transaction was carried out as part of the buy-back program authorized by the General Shareholders' Meeting on May 28, 2014 and the planned early redemption of the Orane 2022 bonds approved by the Supervisory Board on September 15, 2014 and announced on September 16, 2014. The entire transaction was funded by Publicis Groupe's available cash.

On June 1, 2015, completion of the acquisition of Relaxnews at a price of euro 9.58 per share.

On June 6, 2015, acquisition of Match Media, an independent Australian media agency. Match will be integrated into Blue 449, ZenithOptimedia Group's new global media agency. Match Media was founded in 2003 by John Preston, the agency's CEO. This Sydney-based firm has over 75 employees. The agency specializes in media strategy, media buying, digital media planning and digital media buying, search engines, social media and data analysis.

On June 9, 2015, the Group acquired 3,935,000 shares at a Volume-Weighted Average share Price (VWAP) of euro 74.11, representing a total amount of euro 291 million. This transaction came within the framework of the early redemption of the Orane 2022 bonds approved by the Supervisory Board and announced on September 16, 2014. Then, by unanimous decision of the Orane bondholders present and represented at the bondholders' meeting of June 19, 2015, the amendment of the Issuance Agreement authorizing early redemption of all Orane bonds at the Group's discretion was approved. This amendment was also approved by the Publicis Groupe SA's GSM held on May 27, 2015.

On September 3, 2015, Tardis Medical, a consulting agency in the clinical and medical sectors, was acquired by Publicis Healthcare Communications Group (PHCG), Publicis Groupe's specialist healthcare network, and was integrated into Publicis Touchpoint Solutions.

On September 10, 2015, acquisition of The Creative Counsel Group, the largest integrated below-the-line group of agencies in South Africa, providing marketing and activation solutions. Founded in 2001 by current joint CEOs Ran Neu-Ner and Gil Oved, The Creative Counsel Group boasts over 1,500 talented employees and works with top domestic and international clients such as Unilever, Vodacom (Vodafone), Microsoft, Brandhouse and Tiger Brands.

On November 10, 2015, acquisition of Langland Advertising, Design & Marketing Limited, one of the most highly regarded healthcare communications agencies. Langland has been acquired by Publicis Healthcare Communications Group Ltd (PHCG), Publicis Groupe's health network.

On November 24, 2015, acquisition of a majority stake in Glickman Shamir Samsonov, one of Israel's top creative agencies with a staff of over 75 people. It works with clients such as: Coca Cola Israel, the Tnuva dairy cooperative, Orange, El Al, FIBI bank, Mercedes, Hyundai, Direct Insurance, Israel Post, Psagot investments, Sano detergents, Yediot Achronot newspaper and Newpan electronics.

Total acquisition costs for entities integrated during 2015 (gross payments, before acquired cash) came to euro 3,410 million. In addition, euro 180 million was paid out in earn-outs and euro 33 million to buy out non-controlling interests.

In 2015, in addition to the shares bought under the liquidity contract, the Group carried out share buybacks for an amount of euro 467 million.

2016 was a rather modest year in terms of acquisitions.

On February 2, 2016, the Group acquired Vertiba, a Salesforce consulting partner and specialist in marketing solutions. Founded in 2010, Vertiba is headquartered in Boulder, Colorado. Vertiba's skills have been integrated into the Publicis.Sapient platform.

On February 12, 2016, the Group acquired MercerBell, a leading Australian agency in the field of client experience. MercerBell is specialized in CRM and digital strategy, creativity, content and technology, and is integrated into Saatchi & Saatchi. This agency, which was founded in 1999, has a team of 65 professionals and a client base that includes Toyota, Foxtel, Qantas, BT, Allianz and ASX.

On March 1, 2016, the Group acquired Seven Seconds, the London (UK) based e-commerce and digital specialist. Seven Seconds was founded in 2013 and has been integrated into BBH. Its main clients are British Airways, Barclays, Boots, Tesco Retail and Tesco Bank.

On March 10, 2016, the Group acquired Venus Communications, one of the leading public relations agencies in Vietnam. Venus has been integrated into the MSL brand, which in turn is part of Publicis One in Vietnam. Over the last ten years, Venus and MSL have worked together successfully on numerous assignments. The agency, which was founded in 1998, has over 40 employees and a prestigious client portfolio that includes MasterCard, FedEx, Rolls Royce, BAT, Mead Johnson and sanofi.

On March 17, 2016, Publicis Groupe acquired a stake in West Africa's first fully integrated communication services group, Troyka. The Troyka Group is comprised of six agencies: Insight Communications, The Thinkshop, All Seasons Media, Media Perspectives, The Quadrant Company and Hotsauce. Starting out with Insight Communications in 1980, the Troyka group now has 300 employees over 6 agencies across the entire region. The Troyka agencies work with prestigious international brands such as Heineken, Shell, Samsung, Unilever, Google, P&G, Microsoft, Ford and Axa, as well as with national clients including Oando, Nestoil, Africa Investor, Jagal and Olam. Publicis Groupe has been investing regularly in Africa in recent years, in view of the high growth potential of this market. By way of this equity investment, Publicis Groupe will use Troyka to launch its network in Nigeria, thereby creating a powerful communications entity that will have a competitive edge in all skill sets in West Africa.

Total acquisition costs for entities integrated during 2016 (gross payments, before acquired cash) came to euro 59 million. In addition, euro 198 million was paid out in earn-outs and euro 44 million to buy out non-controlling interests.

The Group did not buy back any of its own shares in 2016, except for those shares bought under the liquidity contract.

2017 was in line with 2016. With the focus on the transformation of Publicis Group, the number of acquisitions remained limited.

On January 23, Publicis Communications acquired two digital agencies via Leo Burnett: The Abundancy and Ardent. These agencies will add to Leo Burnett's arsenal of data, creative and technological capabilities. Ardent provides proprietary technology that uses search data to understand behavior and predict consumer intent, while The Abundancy applies these learnings to inform customized content. Together, these two agencies count 60 professionals who have now joined Leo Burnett under newly appointed CEO Andrew Swinand in the USA.

On July 1, Publicis Communications announced the acquisition of The Herd Agency, which is one of the largest and most recognized Australian agencies. This acquisition enables Publicis Communications to offer its clients a wider range of public relations services, including strategy, public affairs, earned media, investor relations, integrated campaigns, crisis communications, social media and marketing content. The Herd Agency is attached to MSLGROUP in Australia.

On July 19, Publicis Communications completed the acquisition of Ella Factory, a French corporate communications consulting agency created in January 2012 and chaired by Clément Léonarduzzi. Ella Factory is attached to Publicis Consultants, of which Clément became Executive Chairman in October 2017.

On July 27, Prodigious, Publicis Communications' production platform announced the acquisition of Translate Plus, a global supplier of linguistic services and expert in transcreation. Transcreation is the complete adaptation of the brand message for a product or an advert for a target market, and takes part in major global advertising campaigns. Created in 2008, Translate Plus employs over 130 peoples in 10 international offices, in London, the Netherlands, Germany, Denmark, Sweden, Italy, Bulgaria, Washington DC, China and Japan. Its client portfolio includes Mondelez, Porsche Consulting, Reckitt Benckiser, Rentalcars and Ricoh.

On September 14, Publicis Health, Publicis Group's Healthcare solution, announced the acquisition of PlowShare Group, the leading communications agency exclusively dedicated to humanitarian organizations and federal agencies for marketing campaigns on social causes and missions. Created over 20 years ago, PlowShare works with the American Red Cross, the Centers for Disease Control and Prevention, Habitat for Humanity, Make-A-Wish Foundation, March of Dimes, World Wildlife Fund. Based in Stamford (Connecticut) with offices in Atlanta, New York and Washington DC, and with a team of 18 people, PlowShare provides all advertising and marketing services: media buying, creation, public relations, social media…

On September 29, Publicis Communications announced the acquisition of Harbor Picture Company, a production company specializing in advertising films for television and Internet. Created 7 years ago, Harbor Picture Company is attached to Prodigious, Publicis' production entity.

Total acquisition costs for entities integrated during 2017 (gross payments, before acquired cash) came to euro 76 million. In addition, euro 232 million was paid out in earn-outs and euro 35 million to buy out non-controlling interests.

In 2017, in addition to the shares bought under the liquidity contract, the Group carried out share buybacks for an amount of euro 324 million, as part of the hedging for performance stock plans for Group employees.

1.5.2 Main ongoing investments and divestments

A major initiative was launched in June 2017 with the development of the Marcel platform, a disruptive platform that will radically transform the way in which the Group's teams and our clients connect, interact and work together. The teams at Publicis.Sapient, Publicis Group's technological and consulting solutions hub, are working on the architecture and design of Marcel as well as the development of its user experience, whilst Microsoft will build the platform and connect it to its cutting-edge technology and skills in Artificial Intelligence, thanks to the Microsoft Azure and Office 365 offers. The Marcel platform will be based on cognitive technology and Artificial Intelligence to increase autonomy and develop the skills of Publicis Groupe's employees and clients, allowing them to easily interact in three different ways. Firstly, by identifying which of the 80,000 Group employees is the most relevant contact. Whatever the problem that needs to be solved, Marcel will find the most suitable person to contribute to the solution. Next, by collecting, organizing and refining the information from the Group's collective knowledge. Marcel will enable each user to fully benefit from the experience and knowledge made available. Lastly, and this is undoubtedly the most important aspect, Marcel will provide each employee with the power to participate and create beyond borders and structures. Through M-Labs, the incubator for the Marcel platform, Publicis Group is already testing new collaboration methods with certain clients, and these are showing results. Marcel will be presented on May 24, 2018 at the 3rd edition of Viva Technology.

In respect of ERP, the first planned deployment phase was completed in April 2016, with 9 countries representing 53% of the Group's revenue at end 2017 (71% of the Group's revenue excluding Publicis.Sapient, not included in the original deployment scope), now using the new system. This system has enabled, on the one hand, agency management to be rationalized, thanks to the implementation of a uniform time sheet system within the Group which will enable us to improve the agency use rate, and on the other, to harmonize the accounting systems of the different entities by adopting a unique system to replace the some 26 pre-existing accounting systems.

Additional expenditure in 2016 was mainly due to the reorganization of project teams and ERP maintenance activities. It is important to note that no other extra expenses were recorded in 2017, and that the deployment costs in 2017 were not significant.

From 2018, a new planned deployment phase will concern Spain, Portugal, Austria and Italy, which will allow us to cover a large part of Europe.

Whilst difficult to estimate, the first efficiency gains should appear during the 2018 financial year.

Lastly, on December 18, 2017, the Group signed a final agreement on the 100% sale of the company Shanghai Genedigi Brand Management Co. Ltd. and its subsidiaries in China. As at the reporting date of the 2017 financial statements, this disposal was subject to authorizations to be obtained from the Chinese authorities. The final sale was completed in early 2018.

1.5.3 Main future investments

Publicis Groupe will continue its investments to provide proposals and solutions to its clients faced with numerous challenges (consumer behavior, multiplication of communication channels, increasing weight of omni-channel commerce, emergence of new players from digital technologies). Thus, all future investments will aim to improve our offering, combining our creative, media and technological expertise.

Lastly, as at December 31, 2017 the Group also had commitments of euro 247 million under price-adjustment clauses and of euro 39 million for non-controlling interest buyouts, a total of euro 286 million, euro 155 million of which is due within less than one year.

1.6 MAJOR CONTRACTS

Publicis Groupe did not conclude any significant agreements or any agreements conferring a significant obligation or commitment on the Group, with the exception of those concluded in the normal course of affairs, during the two years preceding the date of this Registration Document.

1.7 RESEARCH AND DEVELOPMENT

The various entities included in Publicis Groupe have developed different analysis and research methodologies, in particular concerning consumer behavior and sociological developments. They have also developed software and other tools to assist them in serving clients. Most of these tools concern the media planning businesses of Zenith, Starcom, Blue 449, Spark Foundry, Performics, and their subsidiaries, and the identification of the most effective channels to reach their clients' target groups; others are integrated into the strategic planning of individual agencies, and play a key role in the unique brand positioning of each advertising brand. Furthermore, still others are used for the computerized processing of clients' marketing data, an activity conducted through its MarketForward entity. Several of these tools required significant investment in development or cooperation with outside suppliers. The Group's policy on this matter is described in Note 1.3 to the consolidated financial statements in Section 5.6 of this document.

PUBLICIS COMMUNICATIONS

- For **Publicis Worldwide**: Ignition, Ignition Day Workshops, Brand 16, Android/iOS Mobile SDK Toolkit, Nurun Design Process, Talkmaster and Publicis Insider, tools that can be activated as part of the Lead the Change methodology, Brand Optimization and Brand Aesthetic, Caffeine, Outcome, M2, JetStream, KiwiTree, Dark Web, NearMe, Prospect, Altitude, Zodiac, Green List, Constellation, IG Cracker, TribeFinder, CrossHairs, Next Jam, Populum, Spark code libraries, Journey's Strategic Mapping, Personified Data, Proprietary primary research candidate sourcing, Behavior Nudges and Vision Velocity process.
- For **MSLGROUP**: FreeThinking, People's Lab, e-Reputation Scorecard, Story Stream Lab, Corporate Brand e-ambassadors, Social Business Navigator, Fem'Insight, Fem'Connect, Conversation-to-Commerce (C2C), EPI, OneVoice, White Space Mapping, Earned Plan Lab, Zodiac and Radar.
- For **Leo Burnett**: BrandProspectR Segmentation, Behavioral ArchetypesSM, BrandPersonaSM Archetypes, What If? Mapping, InnerviewSM Motivation Analytics, Risk Reward Model of Advertising Effects, HumanKind Purpose Workshop, Decision DNASM, B.A.I.T., Acts Typology, Acts Lift, ChatCastSM WebMining, ChatCastSM Companion Survey, HumanKind QuotientSM, BrandStockT Equity Metrics, Cultural Fuel, QuickQuant, Red and Blue America, BrandShelterSM Recession, Analytics, The Forgotten Senior, Freaks and Geeks vs. The 'In' Crowd, The Luxury Profiler, PeopleShop, MobileShop, SocialShop, Behaviural Currents, Being Human, Maximizing Innovation by Leveraging 9 Styles, Modern Masculinity, and The Sharing Economy: Where We Go From Here, Big Food, The Nudgeables, Idea Spot, Human Journey, Persona Development, Foresight Lab, Ultimate Consumer Panels, Focus Group 2.0, Sherlock Holmes Recruiting, BrandTrac, QuickPredict, Return ePanel, Martini Digital Insights, Switchboard, Social Media Intelligence Hub, Marketing Analytics Platform (MAP), The Nudgeables, Big Food, B.A.I.T., Take P.A.R.T, Picture This, Cultural FuelSM, Mintel, and Stylus.
- For **Saatchi & Saatchi**: Contentizer, Strategic Toolkit, Sisomo, Xploring, the Story Brief, Inside Lovemarks (in association with QiQ), Lovemarks Connector Kit (including the Lovemarks practices: Discovery, Exploration, Inspiration, Attraction and Evaluation), Saatchi & Saatchi Ideas SuperStore, as well as Publicis Ideas IQ Protocol (developed by Saatchi & Saatchi for Publicis Group), Saatchi & Saatchi X, Shopper Cycle, Saatchi & Saatchi S, Star Mapping, Ten Cycle Star Mapping, Global Affluent Tribe, Lasting Marks, Consumer Context Research (CCR), The Legacy Lab, and Vulcan Dynamic Content Studio.
- For **Fallon Worldwide**: Brand-Tube, Fallon Culture Map.
- For **BBH**: BBH Analytical Toolkit, BBH Knowledge & Insight and BBH Performance Dashboard.
- Lastly, within **Prodigious, Market Forward** designs, develops and offers ProdigiousCloud, a suite of BtoB solutions and collaborative platforms enabling production hubs, agencies and brands to collaborate more effectively and achieve productivity gains through Digital Asset Management (SHARE), Workflow (DRIVE), crowdsourcing (TALENT), planning (PLAN) or automation (BUILD) modules.

PUBLICIS MEDIA

- **Publicis Media** has developed and uses, through its expertise, several tools, methodologies and research analytics methods including: Boudoir, CX Tool, CX Loop, Digital Score, Frequency Planner, OPEN, Consumer Profiler, Market Priorization Planner, Multi-Copy Planner, Multi-Media Calculator, ROI Modeler, Seasonality Planner, Wizard TV Planner, ZEAL, Global Analytics Center (Glance), Innovations Database, SocialTools, Touchpoints ROI Tracker, Video Allocator, Content Audit, Adforecast.com, Ninah Market Mix Modeling (MMM), Ninah Marketing PlanLan (MPL), Ninah Multi-touch Attribution (MTA), Value Tracker, Tardiis, Tardiis Fusion, Innovest, Media Pathways, Digital Pathways, Pathfinder, Propeller, Contact Destinations, Intent Tracker/Modeler, Connections Stories, Captivation Blueprint, Map, Beyond Demographics, Media in Motion (patent pending), Budget Allocator, Scenario Planner, Pearl, Ace, Brain Conquest, CVT (client targeting), SPACE ID, Truth Maps, Idea Vet and Ideaweb, The Mic, Pulse, Webreader, Surveillance, KPI Engine, BARometer, StarcomEQ, Starcom IQ, Soundwave, Titan, SMBI, EIC, Starprofiler, EAuth, Gadget, MDM, Investment Management, The Street MAD, Balance TV, POEM, MaxxReach, Beacon and ESQ, Connected Intelligence, Community Igniter, Contagion, Echo Listening, Echo Measurement, Echo Activation, Experience Creation Framework, Content@Scale, PACE panel, Yangtze, GEMS, PMOS, Convergence Analytics, Liquid Labs, CulturePulse, The VR Accelerator, Content Design Engine, Blue View, Dreamcatcher, Foodcatcher, Discoverability and Conversability, Benchmarks, Bid Strategy, CPA Optimization, CTR Optimization, Solutions Suite, VivaKi Verified, Quality Index, VivaKi DMP, Audience, Dashboard & Reports, Headroom, Heat Map, Report Builder, Site Category Analysis, Leads (Workflow), RFP (Workflow), IO (Workflow), Platform Cost Calculator, Change Log, Categorization, VivaKi IQ Academy, Partnerships, Always On, Audience on Demand (AOD), SkySkraper, RUN Cookie Translator, RUN DSP, RUN DMP, Academy, Partnerships, Always Benchtools, Brand Impact, Consumer Value Targeting, and Experience Tool.

- **Performics** uses, through Publicis Media, the following methodologies, tools and research analytics for its clients: Intent-Based Planning, Intent Lab, Digital Satisfaction, Dynamic Persona Development, Digital Maturity Audit, Tech & Data Audit, Investment Optimization (Darwin), SEM Performance Maximization (Diagnostic), Daily Pacing & Anomaly Detection (DPAD), Learning Agenda, Hypotheses Library, Content Audit, CX Loop Workshop, Experience Matrix, Competitive Search Analysis, Benchtools, Social Influence on Search Audit, Performance Marketing Audit, Discoverability Audit, Conversability Audit, Paid Search Strategic Audit, Paid Search Campaign Architecture Methodology, OneSearch Learning & Measurement Framework, Search Governance Model (SGM), Microtargeting, 4 SEO Pillars, SEO Deliverable Framework, Link Portfolio Audit Tool, Local SEO 3 Pillar Methodology, Mobile Experience Optimization Audit, TV-to-Search Methodology, GLANCE, CAIMAN, Amazics Content Detector (ACD), Dynamic Optimization Technology (DOT), Landing Page Microfactory, Zeus, Helios, Compass, Optitree, Redmine, Aaas, Conversation2Commerce, and Horizon.
- **Digitas** markets to its clients, amongst others, 45 Irving, North Star, Foundational Fitness Test, Test Data Studio, Snacktory, Performance Media Audit, Dynamic Creative, Optimization, Dynamic User Value Scoring, 3|Share ROM, (m)PHASIZE Media Mix Modeling, Search Audience Insights, Global Travel Tracker, and Start Up Connect.
- **Publicis Spine** uses the following methodologies, tools and research analytics for its clients: Publicis Cosmos, IDIOM, Publicis PeopleCloud, RUN DMP, and RUN DSP.

PUBLICIS.SAPIENT

- **Sapient Consulting** uses the following tools, products and methodologies for its clients: CMRS, CCS, COBS, SolutionD, Client Connect, Info Mapper, SFRM, FATCA Withholding, REX and Client Clearing Portal, SDLX, Synapse and Qurate.
- **SapientRazorfish** uses the following tools, products and methodologies internally and for its clients: BridgeTrack; CATS; Code Commons; Code Commons Apex; Connected Environments; DOJO; Expicient's ExStore, ExSuite, ExIntegrator, ExMobility, ExTest, ExCelerator platforms and tools; Fluent; ForwardFast; IEA/IDEAL; In-Store Customer Engagement (ICE) Platform; NUI; Premise; Razorshop; ReadyCommerce; Rosetta Connector Skymanager (UK); the Third Channel; TITAN; WAVE; Yantrashala.

PUBLICIS HEALTH

- For **PH**: Congressentials, Insight on Demand, TrueTargetML, SweetSpotML, LapsePredictML, AffinityMAPML, ChannelEQML, Layered Listening, BrandFit Toolkit, Realities Framework, Start 90, Point of Practice Database, RevealMR, Customer Acumen Training App, Customer Engagement Platform, Verilogue Media Player, Global Voice, Layered Listening, Ad-Board Advantage, Netnography, Dialogue Infused Qual, Connections Planning, ExactDoc, PHMp, PHACT, PHOCUS, Clinical Navigator and Publicis Loop.

1.8 RISK FACTORS

The risk factors described below, together with the other information concerning Publicis Groupe and its consolidated financial statements included in this Registration Document, should be carefully considered before making an investment in the shares or the other securities of Publicis Groupe. Each one of the risk factors may have a negative impact on the Group's earnings, financial position or share price. Other risks and uncertainties of which Publicis is unaware or which are not currently considered to be significant could also have a negative impact on the Group. Publicis Groupe is currently unaware of any economic, fiscal, monetary or political strategies or factors that have affected or are liable to affect its operations, whether directly or indirectly.

Description of the main risk factors

Industry-related risks	• Risks associated with a highly competitive industry • Risks associated with the economic condition
Operational risks	• Risks associated with client portfolios • Risks associated with the dependence of the Group's business on its managers and employees • Risks associated with mergers and acquisitions • Risks associated with changes in governance • Risks associated with the reorganization of the Group • Risks associated with the Group's international presence • Risks of IT system failures and cybercrime
Environmental and human risks	• Environmental risks • Risks associated with climate change • Risks associated with human safety
Regulatory and legal risks	• Risks of litigation, governmental, legal and arbitration proceedings • Risks of a breach of the Code of Ethics or regulations • Risks associated with the regulations and voluntary codes of conduct that apply to the Group's businesses
Financial risks	• Liquidity risks • Risks associated with the Group's official credit rating • Market risks

1.8.1 Industry-related risks

Risk identification	Monitoring and managing risks
Risks associated with a highly competitive industry	
The advertising and communications industry is highly competitive and is expected to remain so. The Group's competitors range from large multinational companies to smaller agencies that operate in local or regional markets. New players such as systems integrators, database design and management specialists, telemarketing and web-based companies now have access to technical solutions that respond to clients' specific marketing and communications needs. The Group must compete with these companies and agencies in order to maintain existing client relationships and to win new clients and accounts. Increased competition could have a negative impact on the Group's revenue and earnings.	The Group's strategy, focusing on digital technology and meeting the changing needs of our clients, enables us to maintain and improve our competitive position. Furthermore, in conjunction with the Group's senior management, the networks' operating management teams monitor the market and our competitors on an ongoing basis.
Risks associated with the economic condition	
The advertising and communications industry may experience periodic slumps caused by downturns in the general economy. As previous years have shown, this industry is sensitive to variations in advertisers' businesses and reductions in their marketing investments. Economic downturns can have a more severe impact on the advertising and communications industry than on other sectors, in part because many companies often respond to a slowdown in economic activity by reducing their communications budgets in order to meet their earnings goals. In addition, it may be difficult or even impossible to collect outstanding fees receivable from bankrupt or insolvent customers. For this reason, the Group's business prospects, financial position and earnings may be materially adversely affected by a downturn in general economic conditions in one or more markets, and a reduction in client budgets for advertising and communications.	The Group's presence in geographically diversified markets makes it less sensitive to adverse economic conditions in a given market. In addition, the Group chose to make its expansion in emerging countries and in the digital advertising market a priority from 2006 onwards. This judicious choice, which has been validated by the transformation of the market and the changing requirements of our clients, has enabled us to maintain, and even improve, the relevance of our offering, while standing up well to competitive pressure. Working together with senior management and the Group's Finance Department, the operating management teams of the Group's networks are continuing to pay particularly close attention to their cost structures and are adopting action plans to maintain their profitability levels.

1.8.2 Operational risks

Risk identification	Monitoring and managing risks
Risks associated with client portfolios	
Contracts may be terminated on short notice. Advertisers are free to terminate their contracts with their communications agencies, at any time or at the end of the contract, after a relatively short notice period of three to six months, in general. Moreover, the Group's contracts with its clients are under constant threat from rival competitive bids. Advertisers also tend to progressively cut down on the number of communications agencies they work with and to allocate their marketing budgets among a few leading agencies. Finally, the recent trend towards consolidation of clients around the world increases the risk that a client will be lost following a merger and/or acquisition.	In order to deal with this risk, significant existing contracts are monitored on a regular basis at the operating management and Group level, which enables us to make sure that customers are satisfied, and to anticipate the risk of a contract being terminated. In addition, the Strategy & Growth team together with the Global Client Leaders strengthen our ability to monitor this risk, while enhancing our internal client-centered culture and offering clients access to the full range of Group services.
A significant percentage of the Group's revenue is derived from its major clients. The Group's top 5, 10, 30 and 100 clients accounted in 2017 for 13%, 19%, 36% and 55% of the Group's consolidated revenue, respectively (see also Section 5.6 "Notes to the Consolidated Financial Statements", Note 26 "Market risk management"). One or several large clients may, at any time and for any reason, decide either to switch advertising and communications agencies or to curtail its spending on advertising. A substantial decline in the advertising and communications spending of a major client, or the loss of any of these accounts, could have a negative impact on Publicis' business and earnings.	In conjunction with the Group's senior management, the management of the Group's networks continually analyzes the risks related to the loss of major contracts. The Group has a diversified client portfolio representative of the global economy, including many clients that are global or national leaders in their industries (see Section 1.4.5 of this Registration Document for a list of the primary clients of the Group's major networks in 2017). Revenue from, and contracts with, different clients vary from year to year. Nonetheless, a significant share of Publicis Groupe's revenue comes from loyal clients that have been with the Company for years. On average, its retention rate of the ten biggest clients is 46 years. As part of its management of client relationships, the Group ensures that it complies with all contracts entered into with its clients and more particularly with exclusivity clauses.
The Group's growth may be negatively affected by conflicts of interest between clients competing within the same sector. The ability of the Group or one of its networks to obtain a new client may, at times, be hindered by its partnership with a competitor or by an exclusivity clause in an existing client contract. The Group avoids, as far as possible, these types of commitments, and relies on its numerous networks to limit the situations in which such conflicts of interest may arise. Such conflicts of interest may nonetheless arise, with potentially negative consequences for the Group's growth prospects, results and revenue.	In conjunction with the Group's senior management, the management of the Group's networks continually analyzes the risks related to conflicts of interest.
Risks associated with the dependence of the Group's business on its managers and employees	
The advertising and communications industry is known for high mobility among its managers and employees. If the Group loses the services of certain members of the management or other employees, its business and earnings could be negatively affected. Publicis' success is highly dependent on the skills of its creative, sales and media personnel, as well as on their relationships with the Group's clients. If the Group were no longer able to attract and retain new key personnel, or if it were unable to retain and motivate its existing key personnel, its prospects, business, earnings and financial position could be adversely affected.	In conjunction with the Group's Human Resources Department, the networks' Human Resources Departments identify key staff, offer them performance incentives and include them in the Group's long-term profit-sharing schemes to retain their loyalty. Specific schemes tailored to "millennials" are being introduced to attract and retain talents. The Group's Human Resources Department regularly transmits to senior management its analyses of the attraction and retention of talent and the risks related to the possible loss of key senior managers. The satisfaction survey conducted at the end of 2016 to assess the commitment of personnel gave rise to numerous actions plans which have been deployed at the level of each network. Special effort is being made in terms of training to bolster talent during this transformation period.

Risk identification	Monitoring and managing risks
Risks associated with mergers and acquisitions	
The Group's strategy of development through acquisitions and minority investments may create risks. Part of the Group's strategy hinges on enriching its range of advertising and communication services and increasing its operations in high-growth markets. The identification of acquisition and investment candidates is difficult, and there is always the possibility of misjudging the risks of any given acquisition or investment. Sellers may also at times fail to divulge certain risks. The changing and unpredictable regulatory frameworks of certain emerging markets (see Section 1.8.4 below) and certain local practices in these regions are another source of acquisitions risk. In addition, acquisitions may be concluded on terms that are less favorable than anticipated, and/ or the newly acquired companies may either fail to be successfully integrated into Publicis' existing operations or fail to generate the synergies or other benefits that were expected. Such cases could have negative consequences for the Group's earnings. A description of the Group's main acquisitions during 2017 appears in Section 1.5.1 "Main investments during the past three years". See also Note 2 (Section 5.6) to the consolidated financial statements "Variation in the scope of consolidation".	The Group makes its acquisitions according to a formal and centralized process led by senior management, with the assistance mostly of the Mergers & Acquisitions Department, the Financial Department, the Legal Department, the Human Resources Department and the networks' operational and financial divisions. The network divisions are chiefly responsible for integrating the acquired entities under the oversight of senior management, in particular for major acquisitions. The Finance Department conducts a regular acquisitions performance assessment in conjunction with senior management; this assessment is then presented to the Audit Committee and Supervisory Board.
Goodwill and intangible assets (brands, client relationships), recorded on the Group's statement of financial position for acquired companies may be subject to impairment. Publicis has recorded a significant amount of goodwill on its statement of financial position. Given the nature of its business, the Group's most important assets are intangible, and are accounted for as such. Each year the Group carries out an evaluation of goodwill and intangible assets so as to determine whether these need to be impaired. The hypotheses made in order to estimate the earnings and the forecast cash flow in the course of these reevaluations cannot be confirmed by subsequent real earnings. If the Group were to carry out any such depreciation, the loss could have an adverse effect on the Group's earnings and financial position.	Analysis of goodwill and intangible assets carried on the Group's Statement of Financial Position is detailed in Notes 10 and 11 to the consolidated financial statements (Section 5.6).
Risks associated with changes in governance	
Governance changed in 2017 with the appointment of the Chairman & CEO and the appointment of the Chairman of the Supervisory Board. Difficulties associated with changes in governance may have a negative impact on the Group's business and results.	The transition period that took place in 2017 was made easier by the strong commitment of the Group's Supervisory Board and senior management and the trust between the Supervisory Board and Management Board.
Risks associated with the reorganization of the Group	
The process to transform the Group's structures and organization launched in 2015 will continue during 2018. Implementation difficulties could be detrimental to the Group's strategy, could create uncertainty among employees and may not correspond to client expectations.	The Group's senior management and operational managers remain heavily involved in the implementation and monitoring of this transformation process. Targeted action plans are in place to support our talented employees and our clients. Particular effort is being made to support implementing training.

Risk identification	Monitoring and managing risks
Risks associated with the Group's international presence	
Publicis conducts business in a number of developing countries around the world. The risks associated with conducting business in developing countries can include nationalization, social, political and economic instability, increased currency risk, restrictions on repatriating foreign currencies and the late payment of invoices. The Group may not be able to insure or hedge against these risks. In addition, commercial laws and regulations in many of these countries may be vague, arbitrary, contradictory, inconsistently administered or retroactively applied. It is therefore always difficult to determine the exact requirements of these laws and regulations, or to fully understand their application. Non-compliance, actual or alleged, with prevailing laws in developing countries could have a negative impact on Publicis' prospects, business, earnings, and financial position.	In conjunction with the Group's senior management, the operating management teams of the Group's networks continually analyzes the Group's exposure to risks related to its business in politically or economically unstable countries. Moreover the Group has put internal monitoring systems in place to ensure its operations comply with local legislation and minimize the risk of violations, especially where anti-corruption laws are concerned. See Note 27 to the consolidated financial statements (Section 5.6) for a geographical breakdown of the Group's revenue for 2015, 2016 and 2017.
Risks of IT system failures and cybercrime	
The digital marketplace is expanding at unprecedented pace, and the reliance on information technology has never been greater. This reliance brings risk to the Group in the form of system failure and malicious attack, as well as potential insider threats. System failure may be the result of natural events or terrorist activities, as well as straightforward component failure and can potentially result in extended periods of downtime and the inability to deliver to our clients. Malicious attacks come in the form of denial-of-service attacks, cyber-attacks, computer hacking, computer viruses, worms or other malicious software. Each of these have the ability to inhibit normal business operations and even suspend them for periods of time, as well as potentially infecting client deliverables and even their own network environments, thereby causing significant damage. Finally, insider threats, although normally not malicious can also be seriously detrimental to normal business operations. Untrained or ignorant staff can unwittingly share sensitive or personal information on the public Internet, or innocently fall prey to the numerous cyber-attacks (*phishing, spear phishing*, *CEO fraud*, whaling, etc.). The malicious or disgruntled insider, while rare, can also inflict serious reputational or financial damage by purposefully releasing confidential and sensitive information to the public Internet. Addressing these threats is likely to expose the Group to significant financial burden, legal liability, loss of reputation and potential loss of revenue.	The risks are significant, and as such the Group has invested in internal capabilities to directly address and reduce the risks to acceptable levels. A dedicated information security function assesses the security risks posed by the previous stated threats and assists the various Group agencies accordingly. Following the review of the internal technological environment carried out in 2016 to detect vulnerabilities, a security monitoring function for potential cyber-attacks was implemented. Additionally, business continuity and cyber incident response plans are in place and are regularly tested to ensure that any incident that may affect the productivity and ability to deliver Group work to our clients. The monitoring, measurement and addressing of cyber risks is an important activity that the Group regularly invests in to ensure that it can adapt technically to the complexity of cyber threats. Considerable investment continued to be made in the protection of personal data in 2017. The legal, IT and information security teams work closely together on these issues.

1.8.3 Environmental and human risks

Risk identification	Monitoring and managing risks
Environmental risks	
Given the nature of the Group's activities, it has minimal exposure to environmental risks. The Group is particularly attentive to two sources of greenhouse gas emissions: transport (particularly air travel) and energy and electricity consumption (particularly by IT servers). Specific attention has been paid over the last few years to waste management. A lack of environmental policy and measurable results would see the Group fail in its obligations under article 225 of the Grenelle II Act 2010-788.	The Group's environmental policy – "Consume less and better" – is steered using quantitative objectives to reduce impacts by 2030, in line with the European "2030 climate and energy framework" strategy. It focuses on 4 areas (by order of impact): transport, energy, raw materials and waste. The annual report on greenhouse gas emissions is presented in Chapter 3 on CSR. The declaration of non-financial performance has been subject to verification by external auditors. Together with senior management, the network of shared service centers (Re:Sources), the Real Estate Department and the Procurement Department, the CSR Department inspects the carbon trajectory to adjust the efforts required.
Risks associated with climate change	
Due to the nature of the Group's service activity, services rendered to clients could potentially be disrupted or suspended due to major natural disasters or damage linked to climate change, particularly as we are increasingly reliant on digital technologies (functioning of *data centers*).	Checks are carried out throughout the year to analyze the resistance of the IT systems and to confirm the effectiveness of backup security systems to ensure service continuity. These tests are performed by specialized teams under the supervision of the Group Information Security Officer (GISO). The Group also widely deployed collaborative teleworking tools to facilitate employee work, particularly in the event of severe weather conditions.
Risks associated with human safety	
The current global political climate and the tragic events that have taken place in countries in which the Group and its clients operate make it even more necessary that this risk is adequately managed. We are present in more than 100 countries and our business entails a high degree of mobility by our employees who may find themselves in a challenging security or medical situation, or caught up in a major natural crisis (flood, tsunami, etc.) or political crisis (riot, coup d'État, attacks etc.). Its employees are the Group's main assets and unsatisfactory working conditions, health and safety represent a risk that may significantly affect our business.	Employee safety has always been the Group's number one priority. The Group has introduced a very strict travel policy, under which countries are classified into three risk categories. Some high-risk countries are simply banned while other countries are only permitted after assessment and verification of travel conditions and, when appropriate, the implementation of additional security measures. All traveling employees are provided with advance information and advice on the situation in the country to which they are traveling. A crisis plan has been put in place by the Group to ensure that in the event of a major crisis, all employees, whether at home or abroad, can be traced (tracking *tool*) and assisted where required. Regular actions and policies to improve working conditions and employee well-being, as well as health prevention initiatives such as those presented in Chapter 3 on CSR are rolled out in each agency, driven by the local Human Resources managers. Furthermore, the Group ensures that every employee has health care coverage.

1.8.4 Regulatory and legal risks

Risk identification	Monitoring and managing risks
Risks of litigation, governmental and arbitration proceedings	
Publicis may be named as defendant or co-defendant in litigation brought against its clients by third parties, its clients' competitors, governmental or regulatory authorities, or a consumer association. These actions could, in particular, relate to the following complaints: advertising claims used to promote its clients' products or services are false, deceptive or misleading; its clients' products are defective or may be harmful to others; marketing, communications, or advertising materials created for its clients infringe the intellectual property rights of third parties, since client-agency contracts generally require the agency to indemnify the client against claims for infringement of intellectual or industrial property rights. The potential damages and expenses, as well as the legal fees arising from any of these claims, may harm the Group's prospects, business, results and financial position. The risk could be either indemnified by the client, or in the case that it is an insurable risk, covered by the Company's insurance. Moreover, Publicis' reputation could be negatively affected by such allegations.	Monitoring and managing risks in conjunction with senior management, the Legal Department keeps a watchful eye on the changes in risks associated with significant litigation. The Group has no knowledge of any legal or arbitration proceedings, initiated in the last 12 months, which could have a significant effect on the financial position or profitability of the Company and/or the Group. See also Note 20 and Note 1.3 to the consolidated financial statements (Section 5.6), with respect to provisions for litigation and claims.

Risks of a breach of the Code of Ethics or regulations

The Group is subject to complex and ever-changing laws and regulations. These have an impact on its operations in a number of fields, both domestically and internationally, for example in terms of fraud, corruption and protection of personal data.

In addition to compliance with laws and regulations, and due to the fact that it is present in more than 100 countries and employs large numbers of people, the Group must regularly address ethical issues, for example, harassment and discrimination.

Non-compliance with the ethical standards and rules of a country by the Group's employees could not only impact the results of the Group, but its image and reputation as well.

On June 7, 2016, the ANA (Association of National Advertisers) published a report bringing into question business practices between communications agencies and advertisers. This report is based on allegations and situations that refer to undisclosed companies and individuals and are then used to make very broad-based and unverifiable accusations. The different practices referred to provide a distorted image of the profession by suggesting that they are widespread. These declarations may give rise to a reputation risk.

The Group has a set of rules called "Janus" which governs its behavior and ethics. This set of rules applies to all Group employees and sets out the rules of conduct under which operations are carried out: "The Publicis way to behave and to operate". The Code was updated in April 2015 and circulated across all the networks. Janus includes the rules and principles related to ethics, corporate social responsibility, compliance with regulatory and legal frameworks, governance, communication, conducting business and customer relations, human resource management, protecting the Group's brands and intellectual property, financial and accounting management, as well as rules governing mergers and acquisitions, investments, restructuring and purchasing policies.

The guidelines include a Code of Ethics applying to all Group employees. The aim of these rules of conduct is to provide the Group with strict procedures for running our business worldwide in all fields: human management, business ethics, financial management, individual responsibility. This includes, amongst others, encouraging diversity and preventing discriminatory conduct and harassment. These rules are meant to prevent any illegal activity, in particular by ensuring that Group employees comply with laws and regulations in the conduct of the Group's business. Janus also contains a separate chapter with a detailed code of conduct on stock market trading, designed to prevent insider trading. The Group's rules of conduct are also meant to prevent favoritism, misappropriation of funds, breach of trust, corruption, conflicts of interest or other misconduct and subject the Group and its employees to the highest standards in terms of integrity, ethics and compliance. They are designed to protect the Group's data and know-how by establishing strict guidelines regarding confidentiality and good faith. Finally, they establish procedures for control and reporting by management of the Group and of the various networks of any breach of these rules.

Targeted actions, such as training, are regularly carried out throughout the Group, particularly on the fight against harassment and discrimination.

In conjunction with the Group's senior management, the Audit and Internal Control Department oversees the Group's networks' compliance with these rules. Compliance with laws and regulations is a constant concern and programs have been added concerning anti-corruption measures and protection of personal data.

Risks associated with the regulations and voluntary codes of conduct that apply to the Group's business

The communications sector in which Publicis operates is subject to legislation, regulation and voluntary codes of conduct. Governments, regulators and consumer groups often prohibit or restrict the advertising of certain products and services, or regulate certain operations conducted by the Group (such as the Sapin Law in France, which prohibits agencies from buying advertising space for resale to their clients, and regulations that restrict alcohol, pharmaceutical products, certain food products and tobacco advertising in most countries). The imposition of such restrictions may harm the Group's operations and results and expose it to the risk of judicial proceedings, especially by consumer groups, regulators and public authorities.

The Group has implemented, in its main markets, legal clearance procedures to ensure that its advertising campaigns comply with regulations. This control is carried out by the Legal Department (either central or local, depending on the case) whose role is to provide support to the creative teams during the development of these campaigns.

1.8.5 Financial risks

Risk identification	Monitoring and managing risks
Liquidity risks	
The Group is exposed to a liquidity risk when its incoming payments no longer cover its outgoing payments, and at the same time its ability to raise new financial resources has been exhausted or is insufficient.	In order to manage its liquidity risk, Publicis holds a substantial amount of cash (cash and cash equivalents) for a total of euro 2,407 million as of December 31, 2017 and undrawn confirmed credit lines representing a total of euro 2,678 million as of December 31, 2017. The main component of these credit lines is a multi-currency syndicated facility in the amount of euro 2,000 million, maturing in 2020. On January 20, 2018, after closing, the Group repaid euro 149 million corresponding to a contractual payment on the bank loan initially for USD 1,600 million subscribed in 2015 for the Sapient acquisition. A portion of this loan was repaid early, on November 8, 2016, in the amount of USD 545 million (equivalent to euro 500 million), via the issue of euro 500 million in bonds maturing in 2023. These immediately available or almost immediately available amounts allow the Group to pay its financial debt maturing in less than one year. The Group's treasury management arrangements are described in Section 4.4.3 of this document. None of the Group's bonds or other financial liabilities are subject to financial covenants. See also Note 22 to the consolidated financial statements (Section 5.6).
Risks associated with the Group's official credit rating	
A financial rating downgrade by either of these agencies could adversely affect the Group's ability to raise funds and result in higher interest rates for future borrowings.	Since 2005, Publicis Groupe SA has been publicly rated. Its rating has remained unchanged, at BBB+ from Standard & Poor's and Baa2 from Moody's Investors Service. The Group maintains regular communication with the credit rating agencies to keep them informed of any changes in its performance so as to avoid surprises and anticipate any potential rating changes. See also Section 4.4.3 of this document.
Market risks	
The Group is exposed to:	(See also Note 26 to the consolidated financial statements appearing in Section 5 of this document.)
• exchange rate and interest rate risks;	The Group's Treasury Department systematically hedges any interest rate and exchange rate risks to which it is alerted by the Financial Directors of entities when a specific threshold is exceeded.
• client counterparty risk;	Client counterparty risk arises when the Group acts as a principal on behalf of its clients and is most commonly managed via insurance policies.
• bank counterparty risk.	Bank counterparty risk is managed via the Group's "core bank policy" which restricts authorized bank counterparties to a list of banks approved by the Group's Treasury Department.

1.8.6 Insurance and coverage of risks

The insurance policy purpose, centrally managed within the Insurance department, is to provide the best cover for our employees and assets, by achieving a right balance between local and corporate insurance cover.

By implementing a two level insurance cover (local and centralized), the Group strive to ensure comprehensive cover and risk management in all the countries in which Publicis is present.

On a local level, mainly through the Re:Sources shared service centers, entities must take out general liability, property damage and business interruption, automobile and employer's liability insurance policies, as well as health and life insurance cover for employees. These insurances are taken out in compliance with the local regulations.

The only exception is the European zone: Using the freedom of services framework in Europe, the Group has taken out a Property damage and Business interruption insurance policy and a General liability insurance policy, which could apply to all European subsidiaries.

At Group level, insurance programs have been implemented with leading insurance companies with the aim of automatically covering all subsidiaries against the financial consequences of risks such as, but not limited to:

- professional liability and cyber risks;
- directors and officers liability;
- employment practices liability;
- general liability when terms and conditions or limits differ from the local insurance policies;
- property damage and business interruption when terms and conditions or limits differ from the local insurance policies;
- assistance and repatriation of employees during business travel.

In addition, the Group negotiates and sets up specific covers that subsidiaries may subscribe depending their business needs, such as credit insurance, health and life insurance for expatriates and specific insurances for film and TV shoots.

The insurance policies are regularly reviewed to customize the cover to any changes in our activity and in particular new digital services: the Group focuses particularly on this risk and its cyber risk insurance cover.

The amount of cover is considered to be consistent with the risk assessment and with the market practices.

In light of the significant Mergers and Acquisitions Group's activity, the Insurance Department also oversees the integration of acquired entities within the Group's schemes.

1.9 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

1.9.1 Objectives and organization

Internal control and risk management is fully integrated as part of the operational and financial management of the Group. Its remit extends across all the Group's activities and structures. The Group internal control and risk management policy, approved by the Management Board and applied at all levels of the Group, is designed to provide reasonable assurance on the realization of the Group's objectives in relation to:

- the reliability of financial information;
- compliance with laws and regulations in effect;
- the management and control of strategic, operational and financial risks;
- the achievement and optimization of operations, in line with the direction set by the Management Board.

The objectives of this framework, as approved by the Management Board and presented to the Audit Committee, are to enable:

- continuing oversight aimed at identifying risks and opportunities having a potential impact on the achievement of the Group's strategic objectives;
- appropriate communication about risks enabling contribution to the decision making process;
- regular monitoring of the effectiveness of the Group's internal control and risk management system.

The Group has a Secretary General office enabling it to monitor internal control in a formal and centralized manner: this function includes the Legal Department (managed by the General Counsel), the Internal Audit, Internal Control and Risk Management Department (managed by the VP Internal Audit & Risk Management), the Procurement Department, the Human Resources Department (compensation and social benefits, human resources management IT system, social affairs and mobility) and CSR. The Secretary General is a member of the Group's Management Board. The Internal Audit & Risk Management VP and the Secretary General attend all Audit Committee meetings and have easy access to its Chairman and each of its members. The Audit Committee also has direct access to the Internal Control Department. The tools needed to gain a broader view of potential risks are thus in place, which supports the effort to improve risk management throughout the entire organization. The Secretary General takes part in all meetings of the Strategy and Risk Committee.

The Group's internal control and risk management system is based around the 2013 COSO (Committee Of Sponsoring Organizations of the Treadway Commission) guidelines as well as the reference framework defined by the AMF.

1.9.2 Internal control framework

Publicis Groupe has defined guidelines based on the Group values stated therein, including practical principles and rules on conduct, ethics and social responsibility, as well as any other practices to ensure that the operations of the Group's entities comply with standards, laws and regulations. These guidelines, applicable to all of the Group's hierarchical levels, set out the rules of conduct for this purpose: "The Publicis way to behave and the way to operate". These guidelines are known as "Janus" and are distributed to all networks. They are also accessible online to all Group employees. A new version of "Janus" was published in April 2015.

The procedures relating to the preparation of accounting and financial information, to the continued security of IT systems and to the introduction of significant operational procedures are mentioned there in a detailed manner, promoting consistency of treatment at all levels of the Group and networks.

These guidelines serve as the foundation of the Group's internal control system.

This system is also strengthened through a network of shared service centers (Re:Sources) systematically implemented by the Group since 1996 in order to overcome the challenges faced by a business that relies on a large number of agencies. This network is managed by a General Manager, reporting to the Chairman of the Management Board, with the legal and financial functions of the shared service centers under the functional responsibility of the Group's Legal Department and Financial Department respectively. The network of shared service centers now covers almost 97% of the Group's revenue.

The Management Board, the Finance Department, the Operations Department (shared service centers, IT, real estate, insurance and mergers and acquisitions), the Internal Audit, Internal Control and Risk Management Department and the operational managers of the networks are all involved in deploying the internal control system. When the Group makes an acquisition, the internal control system is generally applied within 12 months following the acquisition date. Acquisitions also receive special attention when the annual audit plan is being drawn up.

1.9.3 Monitoring the effectiveness of the internal control system

The Group's senior management is responsible for the Group's internal control system. The Secretary General and the Internal Audit & Risk Management VP regularly report to the Audit Committee and to the Management Board on the quality of the Group's internal control system. This system draws on the following:

1.9.3.1 Internal audit assignments

The Internal Audit Department helps the Group achieve its objectives by assessing, with a methodical and systematic approach, the correct implementation and effectiveness of all internal control, risk management and corporate governance procedures and processes.

The auditors' missions, powers and responsibilities as well as the rights and duties of the audited entity are described in the "Internal Audit Charter" which is included in Janus. They recall the independence of the internal audit function and stipulate the missions and commitments of internal audit, and the duties and prerogatives of the auditors and audited entities.

The audit teams are comprised of approximately fifteen qualified auditors and carry out internal control assessments that encompass the various financial and operational processes within the Group's entities, based on an annual audit plan. This audit plan is developed based on risk analysis (including corruption risk), past events and specific requests from senior management. Once mutual agreement has been reached with the networks, it is approved each year by the Chairman of the Management Board and by the Audit Committee.

The Internal Audit Department conducts approximately 90 audits per year, mainly audits on the entities, but also special audits focusing on specific, group-wide issues at various levels within the Group, as well as audits on cases of suspected fraud.

To carry out their missions, the internal audit teams use a dedicated IT tool ("TeamMate"). The work programs used are, of course, based on the ERP systems used by the Group, with the use of extracts and dedicated exception reports.

Internal audit findings are communicated in a report to the Chairman of the Management Board of the Group including the monitoring of recommendations and action plans. A summary of all audit assignments completed, including special assignments, is presented during each Audit Committee Meeting.

The action plans stemming from the audit recommendations are monitored centrally with the help of a dedicated computer application ("TeamCentral"). Additionally, specific "in the field" follow-up assignments are launched for the most critical reports or when action plan indicators are not in line with the commitments made by the audited entities. A report on the status of the implementation of audit recommendations is regularly presented to the Financial Directors of the Group's networks and to the Audit Committee.

External assistance is called in when needed to support internal audits when special skills or techniques are necessary to conduct investigations.

The Internal Audit of Publicis Group works in accordance with the international professional standards issued by the IIA ("The Institute of Internal Auditors") and in March 2017, obtained the certification of its quality assurance and certification approach by IFACI (*Institut français de l'audit et du contrôle internes*). This certification confirms the ability of the Group Publicis Internal Audit Department to carry out its duties.

1.9.3.2 Financial monitoring controls program

Publicis Groupe also established a program entitled "Financial Monitoring Controls" (FMC) consisting of a series of key controls set out by process (including in relation to CSR) and implemented across all Group entities.

Follow-up of the roll-out and implementation of key controls is performed at two levels using a specific IT tool ("RVR"):

- a monthly self-assessment submitted by all Group entities helps to make them accountable for the effectiveness of their controls;
- special teams, called FMC teams, are deployed across the various networks to evaluate the effectiveness of the controls within the entities. These teams are linked to the Finance Department of each Solution as well as the Group's Internal Control and Risk Management Department, which oversees them, coordinates their work, and compiles the results. These teams follow a control plan covering over 75% of the Group's consolidated revenue each year.

Furthermore, a review of the key checks and controls of the corporate processes relating to financial reporting (Consolidation, Tax, M&A, etc.) is conducted on an annual basis by the Internal Audit Department.

1.9.3.3 Monitoring by the Legal Department

The Group's Legal Department regularly monitors litigation-related risks within the Group. A summary of any significant legal disputes, as well as an estimate of their potential impacts, is presented to the Group's senior management every quarter. The main legal disputes are also discussed in each Audit Committee Meeting.

1.9.4 Risk management framework

Working with the senior management, the operational management of networks is especially involved in monitoring the risks related to major contracts or to business in emerging countries. It continually analyzes the Group's exposure to the loss of significant contracts, to risks of conflicts of interest and to changes in contractual clauses.

The risks relating to accounting information, the external growth policy, management of the liquidity position, exchange rates, changes in the Group's debt or tax position are monitored by the Finance Department, in conjunction with senior management.

The risks associated with accounting and financial information are also subject to a detailed control, overseen by the Internal Control and Risk Management Department, on the basis of which the FMC (Financial Monitoring Controls) are defined.

The procedure for monitoring the Group's risk management system was formalized beginning in 2008 with risk mapping. All of the risks that may have an impact on the Group's finances, operations or image are listed. These impacts are the subject of an evaluation and a probability of occurrence is estimated for each risk identified; a level of intrinsic risk is therefore determined as well as a level of residual risk after taking into account the control system.

Thus, pursuant to article L. 225-37 of the French Commercial Code, it is stated that with regard to the Group's activities, the financial risks associated with the impact of climate change have a negligible impact. However, the Group is mindful of measuring its environmental risks and finding solutions to reduce them (Chapter 3, CSR of the Registration Document).

The risk mapping is updated on a regular basis to strengthen the risk management system on an ongoing basis.

In 2017, the mapping was updated twice, and was presented to the Strategy and Risk Committee meetings of February and September 2017. Moreover, detailed analysis of some of the Group's major risks was carried out, for example, those linked to cyber security and corruption risks (as part of the implementation of the Sapin 2 Law). These analyses were presented to the Strategy and Risk Committee together with proposed action plans to limit the level of residual risk. These analyses and other information served as a basis for the audit plan drawn up for 2018.

CHAPTER

2

Governance and Compensation

This section on the Governance of Publicis Groupe was drawn up in accordance with the new legislation covered by the decree of July 12, 2017 which simplifies and clarifies companies' disclosure obligations.

This decree reorganizes the information in the management report and in the Chair's report on internal control and risk management and introduces a new report on corporate governance. It has also led to remove the report of the Chair of the Supervisory Board on the conditions of preparation and organization of the Board's work and the internal control procedures, published in Section 2.1.4 of last year's Registration Document. It is now the responsibility of the Management Board, in its management report, to report on internal control procedures.

The report on corporate governance, within the competence of the Supervisory Board, groups information on the composition and functioning of management bodies, on compensation of corporate officers and on matters likely to be significant in the event of a public offer.

The information presented in the developments below are those mentioned in articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code. Other information in the report, notably that mentioned in article L. 225-37-5 of the French Commercial Code, is listed in Section 9.7 of the Registration Document "Cross-reference table of corporate governance report".

Publicis Groupe SA refers to the Afep-Medef Code as updated in November 2016, with the exception of the recommendations set out in Section 2.1.4 of this Registration Document. This Corporate Governance Code is available for consultation on the Afep website at www.afep.com.

2.1 GOVERNANCE OF PUBLICIS GROUPE

Publicis Groupe and its Supervisory Board place great importance on the quality of the Group's governance and on compliance with the rules and principles governing its business activities.

Publicis has always taken an innovative approach to its governance: since 1987, the Group has had a dual governance system with both Management and Supervisory Boards, in the belief that this would ensure a better balance of powers for the benefit of all stakeholders. Going further than any legal requirements, Publicis applied the principle of gender-balanced representation within its Supervisory Board from 2012, making Publicis Groupe SA one of the first groups to apply gender parity within its Board.

The quality of the Board's work is guaranteed by the strong commitment of its members and made easier by the work of four committees: a Compensation Committee, a Nominating Committee, a Strategy and Risk Committee and an Audit Committee.

Arthur Sadoun took over from Maurice Lévy as Chairman of the Management Board on June 1, 2017 and Steve King joined the Management Board on the same date. Maurice Lévy took over from Elisabeth Badinter as Chair of the Supervisory Board of Publicis Groupe SA on June 1, 2017.

Elisabeth Badinter was appointed Vice-Chair of the Supervisory Board on June 1, 2017.

2.1.1 Supervisory Board and Management Board

The Company is a French joint-stock limited liability company (*société anonyme*) with a Management Board (*Directoire*) and a Supervisory Board (*Conseil de surveillance*). The members of the Management Board and Supervisory Board are collectively referred to as "corporate officers" in this document.

2.1.1.1 Composition of the Supervisory Board at December 31, 2017

At December 31, 2017, the Supervisory Board was comprised of thirteen members including one member representing employees appointed by the Group Committee, in accordance with article L. 225-79-2 of the French Commercial Code and four members who are foreign nationals. There is gender parity and 50% of members are independent, with the Board Member representing employees not included in the calculation of these percentages, in accordance with the law and the Afep-Medef Code.

Parity on the Board(1)	Average age	Diversity(2)	Independent members(1)(3)	Average length of term of office	Employee representation
50% women/50% men	64	33%	50%	10 years	1 member

(1) In accordance with the law and the Afep-Medef Code, Board members representing employees are not included in the calculation of the minimum/maximum number of Board members, or in gender quotas, or for the number of independent members.

(2) Board members who are foreign nationals (excluding member representing employees).

(3) Members of the Supervisory Board: defined as independent members with regard to the independence criteria stated in the Afep-Medef Code, with the exception of the criterion limiting the Board members' terms of office to twelve years (regarding Michel Cicurel).

The table below provides a summary of the Supervisory Board's composition as of December 31, 2017:

	Age	Nationality	Independent member[1]	First appointment	Years on the board	End of term of office	Member of the Nominating Committee	Member of the Compensation Committee	Member of the Audit Committee	Member of the Strategy and Risk Committee
Maurice Lévy Chair of the Board	76	French	No	6/1/2017	1	Shareholders' Meeting 2021	•	•		•
Elisabeth Badinter Vice-Chair of the Board	73	French	No	11/27/1987	31	Shareholders' Meeting 2018	✦			•
Sophie Dulac	60	French	No	6/25/1998	20	Shareholders' Meeting 2020				
Simon Badinter	49	French	No	6/17/1999	19	Shareholders' Meeting 2021				
Claudine Bienaimé	78	French	Yes	6/3/2008	10	Shareholders' Meeting 2018		•	•	
Jean Charest	59	Canadian	Yes	5/29/2013	5	Shareholders' Meeting 2021	•		✦	
Michel Cicurel	70	French	Yes	6/17/1999	19	Shareholders' Meeting 2018	•	✦		
Thomas H. Glocer	58	US	Yes	5/25/2016	2	Shareholders' Meeting 2020		•		•
Marie-Josée Kravis	68	US	Yes	6/1/2010	8	Shareholders' Meeting 2020	•			✦
André Kudelski	57	Swiss	Yes	5/25/2016	2	Shareholders' Meeting 2020			•	
Marie-Claude Mayer	70	French	No	6/1/2010	8	Shareholders' Meeting 2019				•
Véronique Morali	59	French	No	6/1/2010	8	Shareholders' Meeting 2019		•	•	
Pierre Pénicaud Member representing employees	54	French	n/a	6/20/2017	1	6/19/2021				•

(1) Members of the Supervisory Board qualifying as independent members according to the criteria stated in the Afep-Medef Code, with the exception of the criterion limiting the Board member's terms of office to twelve years (this exception only applies to Michel Cicurel).

✦: Committee chair.

n/a: not applicable.

Attendance of members of the Supervisory Board at Board meetings and Committee meetings in 2017:

	Supervisory Board		Remuneration Committee		Nominating Committee		Strategy and Risk Committee		Audit Committee	
	Number of attendances/ number of sessions	Attendance rate	Number of attendances/ number of sessions	Attendance rate	Number of attendances/ number of sessions	Attendance rate	Number of attendances/ number of sessions	Attendance rate	Number of attendances/ number of sessions	Attendance rate
Maurice Lévy(1) Chair of the Board	3/3	100%	2/2	100%	3/3	100%	1/1	100%		
Elisabeth Badinter Vice-Chair of the Board	6/6	100%			3/3	100%	2/2	100%		
Sophie Dulac	6/6	100%								
Simon Badinter	6/6	100%								
Claudine Bienaimé	6/6	100%	6/6	100%					6/7	86%
Jean Charest	6/6	100%			3/3	100%			7/7	100%
Michel Cicurel	6/6	100%	6/6	100%	3/3	100%				
Thomas H. Glocer(2)	6/6	100%	6/6	100%			1/1	100%		
Jerry A. Greenberg(3)	1/2	50%	1/3	33%			0/1	0%		
Marie-Josée Kravis	5/6	83%			1/3	33%	2/2	100%		
André Kudelski	6/6	100%							6/7	86%
Marie-Claude Mayer	6/6	100%					2/2	100%		
Véronique Morali	5/6	83%	6/6	100%					6/7	86%
Pierre Pénicaud(1)(2) Member representing employees	2/2	100%								
Overall attendance rate		**96%**		**93%**		**87%**		**89%**		**89%**

(1) Member joining during financial year (see Board member profiles below for any additional information).
(2) Appointment to Strategy and Risk Committee during the financial year.
(3) Resignation on May 31, 2017

Independent members

Balanced representation of women and men on the Board

At December 31, 2017, the Board has an equal number of women and men. In accordance with article L. 225-79-2 of the French Commercial Code, the Board member representing employees is not included in the calculation of the percentages.

There has been balanced gender representation on the Supervisory Board since 2012, making Publicis Groupe SA one of the first groups to apply gender parity to its Board.

Number of members and representation of women and men on the Supervisory Board (excluding member representing employees) since 2012:

31/12	2012	2013	2014	2015	2016	2017
Number of members	14	14	13	11	12	12
Member representing employees	n/a	n/a	n/a	n/a	n/a	1
Women	50%	50%	54%	54%	50%	50%
Men	50%	50%	46%	46%	50%	50%

n/a: not applicable.

The Publicis Groupe Supervisory Board was chaired by Elisabeth Badinter for over 21 years, from April 19, 1996 to May 31, 2017. The Board has also appointed two women to chair two of its committees, Elisabeth Badinter (Nominating Committee since September 14, 2000) and Marie-Josée Kravis (Strategy and Risk Committee since March 8, 2011).

Diversity and complementary nature of members' skills

At December 31, 2017, four out of twelve members of the Supervisory Board (*i.e.* 33%) are foreign nationals (excluding member representing employees). In addition, several other Board members have international exposure due to their activity in groups with a strong presence abroad or because they carry out a professional activity abroad (see presentation of Board members below).

Since 2015, the Supervisory Board has enriched and diversified its composition, by strengthening its diversity of international experience. Two new independent members, André Kudelski, a Swiss national, and Thomas H. Glocer, a US national, were appointed by the General Shareholders' Meeting of May 25, 2016.

Independence

At December 31, 2017, six of the twelve members (excluding member of the Board representing employees in accordance with paragraph 8.3 of the Afep-Medef Code) are independent, *i.e.* a proportion of 50%. The criteria for independence of Board members are detailed in Section 2.1.1.5.

Employee representation

Pierre Pénicaud, appointed Board member representing employees by the Group Committee in accordance with the bylaws of the Company and the law, has a seat on the Supervisory Board under the same conditions (and with voting rights) as other members. Subject to the applicable legislation, the Board member representing employees is subject to all legal and statutory provisions, has the same rights and is subject to the same obligations, particularly those set by the Board's internal regulations, as those applicable to other Board members.

It is specified that Marie-Claude Mayer, member of the Supervisory Board and retired from the Group since December 1, 2017, is neither employee shareholders' representative in the sense of article L. 225-71 of the French Commercial Code, nor employee representative in the sense of article L. 225-79-2 of the same Code.

The Company's bylaws and the internal Board regulations state that each member of the Board must hold, in their own name and for the duration of their term of office, a minimum of five hundred shares, with the exception of the Supervisory Board member representing employees, in accordance with the law.

Presentation of members of the Supervisory Board

The profiles below present members of the Supervisory Board at December 31, 2017, their respective experience and skills, and the main offices and functions they exercise or have exercised over the last five years, to the Company's knowledge.

Maurice Lévy

- Chair of the Supervisory Board since June 1, 2017
- Chair of the Management Board until May 31, 2017
- Member of the Compensation Committee
- Member of the Strategy and Risk Committee
- Member of the Nominating Committee

Born on February 18, 1942, French National

First appointment: June 1, June 2017

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2021

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Maurice Lévy joined Publicis Groupe in 1971 as IT Director. In 1975, he was appointed Executive Vice-President of Publicis Conseil flagship of the Group, progressing through all levels until his appointment as Chair of the Management Board in 1987. Role held for 30 years, until the General Shareholders' Meeting of May 2017 after which he assumed the functions of Chairman of the Supervisory Board of Publicis Groupe SA. He steered the accelerated globalization of the Group starting in 1996. In 2001, the Publicis Groupe's globalization picked up more steam with the acquisition of Saatchi & Saatchi, then Bcom3 (as well as Leo Burnett, Starcom, MediaVest) in 2002. The obligatory move into the digital world began with the acquisition of Digitas (2006), followed by Razorfish (2009), and Rosetta (2011). The acquisition of Sapient at the beginning of 2015 opened up Publicis, beyond its core business, to new possibilities in marketing, omni-channel commerce and consulting.

Maurice Lévy co-founded the Institut français du cerveau et de la moelle épinière (ICM) in 2005 and today chairs the Board of Directors of numerous organizations, including the Peres Center For Peace and Innovation, and since October 2015, the Institut Pasteur-Weizmann. He has also received numerous distinctions for his work and his fight for tolerance. He is Commandeur de la Légion d'Honneur and Grand Officier de l'Ordre National du Mérite.

Other offices and positions held within the Group

- Director: MMS USA Holdings, Inc. (United States), MMS USA Investments, Inc. (United States), Jana Mobile Inc. (United States)

Offices held outside the Group

- Chairman of the Supervisory Board: Iris Capital Management SAS (France)
- Member of the Global Advisory Board: Amundi SA, listed company (France)

Main offices and positions held outside the Group

- Founding member and Director: Institut du cerveau et de la moelle épinière, ICM (Brain and Spine Institute) (France)
- Co-Chairman: Friends of the ICM Committee (France)
- Chairman of the French Committee of the Weizmann Science Institute (France)
- Chairman of the Board of Directors: Board of Pasteur-Weizmann (association) (France)
- Board member: The Weizmann Institute (Israel)
- Chairman: Les Amis Français du Peres Center for Peace and Innovation (endowment fund) (France)
- Chairman of International Board of Governors: The Peres Center for Peace and Innovation (Israel)
- Trustee of the Appeal of Conscience Foundation (USA)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Member of the Supervisory Board: Compagnie financière Edmond de Rothschild Banque SA (term expired in August 2013)
- Board member: Foundation of the World Economic Forum Geneva (term expired in August 2013)

Positions held outside the Group in the last five years:

Positions listed above, as well as the following position:

- Director: Les Arts décoratifs (term expired in March 2013)

Elisabeth Badinter

- Vice-Chair of the Supervisory Board since June 1, 2017
- Chair of the Supervisory Board until May 31, 2017
- Chair of the Nominating Committee
- Member of the Strategy and Risk Committee

Born on March 5, 1944, French National

First appointment: November 27, 1987

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2018

Publicis Groupe SA

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75008 Paris

France

Biography

Elisabeth Badinter is the daughter of Marcel Bleustein-Blanchet, Publicis Groupe's founder. She is a qualified philosophy teacher, specializing in the 18th century, and has also lectured at the *École Polytechnique*. She keeps a close watch on changing mentalities and mores, and has authored numerous essays. She is a member of the sponsorship committee of the *Coordination pour l'éducation à la non-violence et à la paix* organization (Coordination for education on non-violence and peace). Elisabeth Badinter joined the Supervisory Board in 1987 and chaired it from 1996 to 2017.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Writer
- Chair of the Fondation Marcel Bleustein-Blanchet pour la Vocation (France)

Offices and positions held outside the Group in the last five years

- Positions listed above

Simon Badinter

- Member of the Supervisory Board

Born on June 23, 1968, French National

First appointment: June 17, 1999

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2021

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Son of Elisabeth Badinter, Simon Badinter has served as Director of International Development (1996), member of the Management Board (1999-2013) and Chair (2003-2011) of Médias et Régies Europe, as well as Chair of Media Regies America until 2013. Today, Simon Badinter hosts a radio talk show called "The Rendezvous", which airs in 25 major cities in the United States. Since January 1, 2017, he has also hosted a TV show for the FYI channel in the United States. As well, he is a member of the Board of Directors of Médiavision et Jean Mineur.

Other offices and positions held within the Group

- Director: Mediavision et Jean Mineur SA (France)

Main offices and positions held outside the Group

- Director: B.D.C SAS (France)
- Host of radio show "The Rendezvous" and of a TV show (United States)
- Chair and Chief Executive Officer: Simbad Productions LLC (United States)

Offices and positions held outside the Group in the last five years

Positions listed above

Claudine Bienaimé

- Member of the Supervisory Board
- Member of the Audit Committee
- Member of the Compensation Committee

Born on November 23, 1939, French National

First appointment: June 3, 2008

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2018

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Claudine Bienaimé joined Publicis in 1966 at the Technical Department, then managed the Internal Control department before becoming Secretary General of Publicis Conseil (1978) as well as Chair of the Media France solution hub (1995). Appointed Secretary General of Publicis Groupe in 2001, and member of the Management Board from 2004 to the end of 2007, she supervised the Group's HR, Legal and internal Audit functions. Since June 2008, she has been a member of the Supervisory Board and of two Board committees. She is also Director of Gévelot SA (an industrial group listed on Euronext Growth).

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Director: Gévelot SA, listed company (France), P. C. M. SA (France)
- Chairman and Chief Executive Officer: Société Immobilière du Boisdormant SA (France)
- Deputy Chief Executive Officer and Director: Rosclodan SA (France), Sopofam SA (France)
- Manager: SCI Presbourg Etoile (France)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Director: Gurtner SA (France) (term expired in February 2015), Gévelot Extrusion SA (France) (term expired in November 2017)

Jean Charest

- Member of the Supervisory Board
- Chair of the Audit Committee
- Member of the Nominating Committee

Born on June 24, 1958,
Canadian National

First appointment:
May 29, 2013

Expiry of term of office:
Annual Ordinary General Shareholders' Meeting 2021

McCarthy Tétrault

Bureau 2500

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Montréal Québec H3B 0A2

Canada

Biography

A trained lawyer, Jean Charest was elected to Canada's House of Commons in 1984. At age 28, he was appointed Minister of State for Young People. He was also Minister for the Environment (leading the Canadian delegation at the Rio Earth Summit in 1992), Minister for Industry, Deputy Prime Minister of Canada then Prime Minister of Quebec from 2003 to 2012. He is currently a partner in McCarthy Tétrault S.E.N.C.R.L., s.r.l and a member of the Queen's Privy Council for Canada.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Partner, Senior Lawyer and Strategic Advisor: McCarthy Tétrault law Firm (Canada)
- Chair of the Board of Directors: Windiga Energie (Canada)
- President of the Board of Governors: The Federal Ideal (Canada)
- Consultative Board member: Woodrow Wilson Center – Canada Institute (Canada), Canadian Global Affairs Institute (Canada), Forum Africa (Canada)
- Member of the panel of experts: Public Policy Forum (Canada)
- Member of the Canadian group of the Trilateral Commission (Canada)
- Advisor: Canada's Ecofiscal Commission (Canada)
- Director: Asia Pacific Foundation (Canada), Ondine Biomedical (Canada)
- Honorary Chair of the Board of Directors: Canada ASEAN Business Council (Singapore)
- Member of the Supervisory Board, and member of the Compensation and Appointments Committee: Tikehau Capital SCA, listed company (France)
- Member: Canadian Council of the North American Forum (Canada), Leaders pour la Paix (Leaders for Peace) (France)
- Permanent representative member: Chardi, Inc. (Canada)
- Honorary Chair of the Board of Directors: Council of the Great Lakes Region (Canada)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- National Joint-Chair and Spokesperson: Mouvement Canada 2017 Redonner (Canada) (term expired in January 2016)
- Chair of the Steering Committee: Partnership for Natural Resources Trade (Canada) (term expired in 2015)

Michel Cicurel

- Member of the Supervisory Board
- Chair of the Compensation Committee
- Member of the Nominating Committee

Born on September 5, 1947, French National

First appointment: June 17, 1999

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2018

Michel Cicurel Conseil

46, Rue Pierre-Charron

75008 Paris

France

Biography

A former student at Sciences-Po Paris and ENA, Michel Cicurel has held several positions during the course of his career. From 1979 to 1982, he was mission head, then Chief of Staff of the Director of the French Treasury. In 1988, he became the Deputy CEO of Compagnie bancaire (founder of Cortal), then became part of the management of the Danone Group and Cerus. Starting in 1999, Michel Cicurel was appointed Chair of the Management Board of the Cie Financière E. de Rothschild Banque. Michel Cicurel is currently the founding Chair of the La Maison Group.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair: Michel Cicurel Conseil SAS (France)
- Chair of the Management Board: La Maison (Luxembourg)
- Vice-Chair of the Board of Directors: Coe-Rexecode (Association) (France)
- Chair of the Supervisory Board: UBS La Maison de Gestion SAS (France)
- Observer: Bouygues Telecom SA, listed company (France)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Chair of the Board of Directors: Banque Leonardo SA (France) (term expired in October 2017)
- Director and Chair of the Investment Committee: Cogepa/DF Synergies SA (France) (term expired in July 2017)
- Director, Chair of the Accounts Committee and member of the Corporate Officers' Compensation Committee: Bouygues Telecom SA, listed company (France) (term expired in April 2017)
- Director, member of the Compensation Committee and member of the Appointments and Corporate Governance Committee: Société Générale SA, listed company (France) (term expired in May 2016)

Sophie Dulac

- Member of the Supervisory Board
- Vice-Chair of the Supervisory Board until May 31, 2017

Born on December 26, 1957, French National

First appointment: June 25, 1998

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020

Les Écrans de Paris

60, Rue Pierre-Charron

75008 Paris

France

Biography

Granddaughter of Marcel Bleustein-Blanchet and niece of Elisabeth Badinter. After several years in the public relations sector, Sophie Dulac, a graduate in psychographology, continued her career by founding and managing a recruitment consultancy firm. Since 2001, she has chaired the movie theater company, Les Écrans de Paris. She also manages the film production and distribution companies, Sophie Dulac Productions and Sophie Dulac Distribution. Since 2012, Sophie Dulac is the founder and Chair of the Champs-Élysées Film Festival. Sophie Dulac was Vice-Chair of the Supervisory Board from 1999 to 2017.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair: Les Écrans de Paris SAS (France), SD Cinéma SAS (France)
- Manager: Sophie Dulac Productions SARL (France), Sophie Dulac Distributions SARL (France), Marceau Media SARL (France)
- Vice-Chair of the Board of Directors: CIM de Montmartre (Association) (France)
- Chair: Association Champs-Élysées Film Festival (France)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Chair: SCI Saint Lambert Holding SAS (France) (term expired in 2016)
- Manager: SD Classic SARL (France) (term expired in 2015)

Thomas H. Glocer

- Member of the Supervisory Board
- Member of the Compensation Committee
- Member of the Strategy and Risk Committee

Born on October 8, 1959, US National

First appointment: May 25, 2016

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020

Angelic Ventures LP

6 East 43rd Street

New York, NY 10017

United States

Biography

Thomas H. Glocer was a corporate lawyer within the Davis Polk & Wardwell law firm before joining Reuters in 1993. He was appointed Chair and CEO of Reuters in 2001 then from April 2008 to December 2011, Chair and CEO of Thomson Reuters Corp. He is the founder and Managing Partner of Angelic Ventures LP, focusing on early stage investments in the financial technology, cyberdefense and healthcare sectors. He is also a member of the Board of Directors of Morgan Stanley and Merck & Co.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Founder and Managing Partner: Angelic Ventures LP (United States)
- Chief Executive Officer: Capitolis, Inc. (United States), BlueVoyant LLC (United States)
- Director: Merck & Co., Inc., listed company (United States), Morgan Stanley, listed company (United States), K2 Intelligence, Inc. (United States), Atlantic Council (United States)
- General Partner: Communitas Capital LLC (United States)
- Member of the Board of Trustees: Cleveland Clinic (United States)
- Member: President's Council on International Activities at Yale University (United States), European Business Leaders Council – EBLC – (United States), Yale Law School Association Executive Committee (United States)
- Member of the Advisory Committee: Columbia Global Center, Paris (United States),
- Member of the International Advisory Group: Linklaters LLP (United Kingdom)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Director: Adfin Solutions (United States) (term expired in May 2016), Council on Foreign Relations (United States) (term expired in July 2016)

Marie-Josée Kravis

- Member of the Supervisory Board
- Chair of the Strategy and Risk Committee
- Member of the Nominating Committee

Born on September 11, 1949, US National

First appointment: June 1, 2010

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020

625, Park Avenue

New York, NY 10065

United States

Biography

Marie-Josée Kravis is an economist specializing in the analysis of public policy and strategic planning. She began her career as a financial analyst at Power Corporation of Canada and then worked with the Solicitor General of Canada and the Canadian Ministry of Public Services and Procurement.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair: New York Museum of Modern Art – MoMa – (United States)
- Vice-Chair of the Board of Directors and Senior Researcher: Hudson Institute (United States)
- Director: LVMH Moët Hennessy Louis Vuitton SA, listed company (France)
- Vice-Chair of the Board and member of the Executive Committee: Memorial Sloan Kettering Cancer Center (United States)
- Chair of the Board of Directors: Sloan Kettering Institute (United States)
- Member of the International Advisory Committee: The Federal Reserve Bank of New York (United States)
- Journalist

Offices and positions held outside the Group in the last five years

Positions listed above and the following position:

- Director: Qatar Museum Authority (Qatar) (term expired in 2014)

André Kudelski

- Member of the Supervisory Board
- Member of the Audit Committee

Born on May 26, 1960, Swiss National

First appointment: May 25, 2016

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020

Kudelski SA

22-24, Route de Genève

P.O. Box 134

1033 Cheseaux-sur-Lausanne

Swiss

Biography

André Kudelski began his career in 1984 within the Kudelski SA company as an R&D engineer. In 1989, he became Director of Nagravision SA before succeeding his father, Stefan Kudelski, in 1991 as Chair and Chief Executive Officer of the Kudelski Group. André Kudelski is a member of the Board of Directors of HSBC Private Banking Holdings (Switzerland) SA and first Vice-Chairman of Geneva International Airport. He is elected Chairman of the Board of Directors of Innosuisse, the Commission for Technology and Innovation. Previously, he was a member of the Board of Directors of Nestlé, Dassault Systèmes and Edipresse SA. André Kudelski has received numerous distinctions, including the title of "Global Leader for Tomorrow" from the World Economic Forum in 1995 and an Emmy® Award in 1996 from the National Academy of Arts and Sciences, recognizing his work in controlling access to television.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair and Deputy Director: Kudelski SA, listed company (Switzerland), Nagra Plus SA (Switzerland)
- Deputy Director: Nagravision SA (Switzerland)
- Chair of the Board of Directors: Conax AS (Norway), SmarDTV SA (Switzerland), Innosuisse (public law) (Switzerland), Restaurant de l'Hôtel de Ville Benoît Violier SA (Switzerland)
- Co-Chair: NagraStar LLC (United States)
- Chair and Chief Executive Officer: Nagra USA, Inc. (United States), Kudelski Corporate, Inc. (United States), Kudelski Security Holdings, Inc. (United States), Open TV, Inc. (United States)
- Executive Chair: Kudelski Security, Inc. (United States)
- Vice-Chair: Geneva International Airport (public law) (Switzerland), Swiss-American Chamber of Commerce (association) (Switzerland)
- Member of the Supervisory Board: Skidata AG (Austria)
- Director: RSH Quality Food Concept SA (Switzerland), Automotive Trade Finance SA (Switzerland), Sunset Music SA (Switzerland), Greater Phoenix Economic Council (GPEC) (not-for-profit company) (United States)
- Member of Committee: Economie suisse (association) (Switzerland)
- Member of the Strategy Advisory Board: Foundation of the *École Polytechnique Fédérale de Lausanne* (Switzerland)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Director: HSBC Private Banking Holdings SA (Switzerland) (term expired on December 31, 2017),
- Director and Member of the Audit Committee: Nestlé SA, listed company (Switzerland) (term expired in April 2013)
- Director, member of the Audit Committee and member of the Compensation and Appointments Committee: Dassault Systèmes SA, listed company (France) (term expired in May 2013)
- Director and Chair of the Audit Committee: Edipresse SA, listed company (Switzerland) (term expired in September 2013)

Marie-Claude Mayer

- Member of the Supervisory Board
- Member of the Strategy and Risk Committee

Born on October 7, 1947, French National

First appointment: June 1, 2010

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2019

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Marie-Claude Mayer's career began in 1972 at Publicis Conseil. She was appointed Director of Clientele then Executive Vice President of Publicis Conseil. In 1998, she was appointed Worldwide Account Director then Global Client Leader to supervise the L'Oréal Group's brands entrusted to Publicis Communications in over 70 countries. Since 2009, she has been a member of the Shareholders' Committee for the Women's Forum for the Economy and Society.

Other offices and positions held within the Group

- Senior Vice-Chair: Publicis Conseil SA (France) (term expired on December 1, 2017)
- Representative of Multi Market Services France Holdings on the Shareholders' Committee of Wefcos SAS (France)
- Member of the Executive Committee: Étoile Restauration SAS (France)
- Director: Publicis Media France SA (France)

Main offices and positions held outside the Group

None

Offices and positions held outside the Group in the last five years

None

Véronique Morali

- Member of the Supervisory Board
- Member of the Compensation Committee
- Member of the Audit Committee

Born on September 12, 1958, French National

First appointment: June 1, 2010

Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2019

Webedia

2, avenue Paul-Vaillant-Couturier

92300 Levallois-Perret

France

Biography

After Sciences Po Paris and the ESCP, Véronique Morali entered ENA and the Finance Inspectorate, which she left in 1990 to join Fimalac as Director and Chief Executive Officer. From 2011 to 2014, Véronique Morali was the Chair of the Women's Forum for the Economy and Society. Since July 2013, she has been the Chair of the Management Board of Webedia Media publisher, the European entertainment leader.

Other offices and positions held within the Group

- Representative of Multi Market Services France Holdings on the Shareholders' Committee of Wefcos SAS (France)

Main offices and positions held outside the Group

- Chair of the Management Board: Webedia SA (France)
- Chair: Clover SAS (France), Fimalac Development (Luxembourg)
- Chair and Chief Executive Officer: Ringmedia SA (France)
- Chief Executive Officer: Webco SAS (France)
- Director and Vice-Chair: Fitch Group, Inc. (United States)
- Director: CCEP (ex-Coca-Cola Entreprises Inc.), listed company (United States), Melberries SAS (France), Fondation Nationale des Sciences Politiques (France)
- Director and Chair of the Compensation Committee: Edmond de Rothschild Holding SA (Switzerland)
- Director and member of the Audit Committee: Edmond de Rothschild SA (France)
- Member of the Supervisory Board, Member of the Audit Committee and member of the Compensation Committee: Edmond de Rothschild France SA (France)
- Chair and Director: Viaeuropa SA (France)
- Member of the Supervisory Board: Edit Place SAS (France), Tradematic SA (France)
- Member of the association: Le Siècle (France)

Offices and positions held outside the Group in the last five years

Positions listed above, as well as the following positions:

- Member of the Supervisory Board of investissements d'avenir (term expired in 2013)
- Member of the Observatoire de la parité entre les femmes et les hommes (Observatory on gender equality)
- Director: Fimalac SA, listed company (France) (term expired in 2014), Financière Allociné SA (France) (term expired in 2014), Fitch, Inc. (United States) (term expired in 2014), SNCF Mobilités (EPIC) (France) (term expired in 2017)
- Permanent representative of Fimalac Développement at: Groupe Lucien Barrière SAS (France) (term expired in 2014)
- Founding Chair: TF Co (formerly Femmes Associées SAS) (France) (term expired in December 2013)
- Member of the Elle business foundation (term expired in 2013)
- Director and member of the Compensation Committee: Alcatel-Lucent (France) (term expired in 2015)
- Founding Chair of the Association: Force Femmes (term expired in 2015), Terrafemina (France) (term expired in 2016)
- Member of the government owned entity: the Réunion des musées nationaux et du Grand Palais des Champs-Élysées (Rmn GP) (term expired in 2015)
- Manager: Fimalac Services Financiers (non-commercial company) (term expired in 2015), Fimalac Tech Info (non-commercial company) (term expired in 2015)

Pierre Pénicaud

- Member of the Supervisory Board representing employees
- Member of the Strategy and Risk Committee

Born on December 28, 1963, French National

First appointment: June 20, 2017

Expiry of term of office: June 19, 2021

Publicis Conseil SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Pierre Pénicaud obtained a diploma in Applied Arts from l'École Estienne and joined Publicis Conseil in 1989 as an assistant in the Artistic Department. He became Artistic Director in 1994 and started the "L'Esprit Bière" saga for Heineken, which he would go on to develop over 13 years. With his work for Perrier, he became senior Artistic Director in 2000. Since 2011, he has been member and secretary of the Publicis Conseil CHSCT (Health and Safety Committee) as well as full member of the Works Council, and since October 2017, deputy member.

Other offices and positions held within the Group

- Senior Artistic Director: Publicis Conseil SA (France)

Main offices and positions held outside the Group

None

Offices and positions held outside the Group in the last five years

None

2.1.1.2 Composition of the Management Board at December 31, 2017

On December 31, 2017, the Management Board was comprised of four members: Arthur Sadoun, Jean-Michel Etienne, Steve King and Anne-Gabrielle Heilbronner.

The profiles below present Management board members on December 31, 2017, their experience and skills, and their main offices and functions over the last five years, to the Company's knowledge.

Arthur Sadoun

- Chair of the Management Board since June 1, 2017

Born on May 23, 1971, French National

First appointment: June 1, 2017

Expiry of term of office: September 14, 2018

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Arthur Sadoun, who has a diploma from the European Business School and an MBA from INSEAD, the European Institute of Business Administration, started his career at the age of 21, creating his own advertising agency in Chile that he would later sell to BBDO. He joined the TBWA network (Omnicom) in 1997 and was appointed CEO of TBWA/Paris in 2003. In 2006, he joined Publicis Groupe as CEO of Publicis Conseil, the flagship of the Group founded by Marcel Bleustein-Blanchet. He was appointed Chair of Publicis France in 2009 then promoted to CEO of the Publicis Worldwide network in 2013. In 2015 he was appointed CEO of Publicis Communications, the creative solutions arm of Publicis Groupe. He has been Chair of the Management Board of Publicis Groupe SA since June 1, 2017.

Arthur Sadoun was named "Director of the Year" by Advertising Age in 2016, and is *Chevalier de l'Ordre National du Mérite*.

Other offices and positions held within the Group

- Chair of the Management Board: Publicis Conseil SA (France)
- Director: Sichuan Yongyang Advertising Co., Ltd. (China), BBH Holdings Limited (United Kingdom), DPZ&T Comunicaçoes SA – *expired in January 2018* – (Brazil).

Main offices and positions held outside the Group

- Independent director and member of the Corporate, Environmental and Social Responsibility Committee: Fnac Darty SA, listed company (France)

Offices and positions held outside the Group in the last five years

Positions listed above

Jean-Michel Etienne

• Member of the Management Board

Born on November 2, 1951, French National

First appointment: July 1, 2010

Expiry of term of office: September 14, 2018

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Jean-Michel Etienne began his career as an auditor with Price Waterhouse (1975-1980). He joined the Financial Department of Renault Group where he occupied several functions. From 1988 to 1990, he was Accounting Director at Valeo before becoming planning and internal control Director for the Pinault Group. In 1991, within CarnaudMetalbox, he was appointed Group Vice-President and Group Financial Controller. He joined Publicis Groupe in September 2000 as Group Finance Director. In 2006, he was appointed Executive Vice-President – Group Finance. Since 2010, he has been a member of Publicis Groupe SA's Management Board.

Other offices and positions held within the Group

- Group Executive Vice-President, Group Finance: Publicis Groupe SA
- Chair and Chair of the Executive Committee: Multi Market Services France Holdings SAS (France)
- Chair: Publicis Finance Services SAS (France), MMS Mexico Holdings S de RL de CV (Mexico), Financière Relaxnews SAS (France), SWELG Holding AB (Sweden), Ella Factory SAS (France)
- Chair and Director: Multi Market Services Canada Holdings, Inc. (Canada), TMG Mac Manus Canada, Inc. (Canada)
- Chair of the Board of Directors: MMS Italy Holdings S.r.l. (Italy)
- Vice-Chair: Lion Re:Sources Iberia S.L. (Spain)
- Permanent representative of Multi Market Services France Holdings SAS in Publicis Media SA (formerly VivaKi Performance) (France), Phonevalley SA (France)
- Director: Multi Market Services Australia Holdings Pty Limited (Australia), PG Lion Re:Sources Australia Pty Limited (Australia), Publicis Communications Pty Limited (Australia), Publicis Groupe Holdings BV (The Netherlands), MMS Netherlands Holdings BV (The Netherlands), Publicis Groupe Investments BV (The Netherlands), Publicis Holdings BV (The Netherlands), Saatchi & Saatchi Limited (United Kingdom), MMS UK Holdings Limited (United Kingdom), Lion Re:Sources UK Limited (United Kingdom), ZenithOptimedia International Limited (United Kingdom), Saatchi & Saatchi Holdings Limited (United Kingdom), MMS USA Holdings, Inc. (United States), MMS USA Investments, Inc. (United States), BBH Holdings Ltd (United Kingdom), MMS Multi Market Services Ireland Limited DAC (Ireland), MMS Multi Euro Services Limited DAC (Ireland), US International Holding Company, Inc. (United States)
- Board member: West Wacker Holding Norway AS (Norway)
- Managing Director: MMS Germany Holdings GmbH (Germany), Re:Sources Germany GmbH (Germany)
- Co-Manager: Multi-Market Services Spain Holdings S.L (Spain)

Main offices and positions held outside the Group

- Member of the Board of Directors of ACTEO (France)

Offices and positions held outside the Group in the last five years

Positions listed above

Anne-Gabrielle Heilbronner

• Member of the Management Board

Born on January 7, 1969, French National

First appointment: September 15, 2014

Expiry of term of office: September 14, 2018

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

Finance inspector, former student at ENA, Anne-Gabrielle Heilbronner is a graduate of ESCP and Sciences Po Paris, and holds a DEA law degree. She joined the Treasury Directorate in 1999. In 2000, she worked for Euris/ Rallye, and then became head of Corporate Finance. From 2004 to 2007, she was Cabinet Director for the Secretary of State for the Reform of the State and then advisor to the Minister for Foreign Affairs. Between 2007 and 2010, she was the Director of Internal Audit & Risk Management at the SNCF. She was Senior Banker at Société Générale Corporate & Investment banking before joining Publicis Groupe in April 2012 where she took over the functions of Secretary General. Member of the Management Board since 2014, she currently supervises Human Resources, Legal, Purchasing, Audit, Risk Management and Internal Control functions, as well as Environmental and Social Responsibility. Anne-Gabrielle Heilbronner is a member of the Shareholders' Committee for the Women's Forum for the Economy and Society.

Other offices and positions held within the Group

- Secretary General: Publicis Groupe SA
- Chair: Publicis Groupe Services SAS (France)
- Member of the Management Committee: Multi Market Services France Holdings SAS (France)
- Representative of Multi Market Services France Holdings on the Shareholders' Committee of Wefcos SAS (France)
- Representative of Multi Market Services France Holdings on the Board of Directors of Régie Publicitaire des Transports Parisiens Metrobus Publicité SA (France)
- Director: Somupi SA (France), US International Holding Company, Inc. (United States), Publicis Groupe Investments BV (The Netherlands), Publicis Groupe Holdings BV (The Netherlands), Publicis Holdings BV (The Netherlands), BBH Holdings Limited (United Kingdom), Sapient Corporation (United States), Publicis Limited (United Kingdom)

Main offices and positions held outside the Group

- Director: Sanef SA (France)

Offices and positions held outside the Group in the last five years

Positions listed above

Steve King

• Member of the Management Board since June 1, 2017

Born on August 8, 1959, British National

First appointment: June 1, 2017

Expiry of term of office: September 14, 2018

Publicis Groupe SA

133, avenue des Champs-Élysées

75008 Paris

France

Biography

As CEO of Publicis Media, Steve King supervises the entire media solution hub of Publicis Groupe. He is responsible for the Starcom, Zenith, MediaVest Spark, Blue 449 and Performics brands which have 17,500 employees in over 100 countries. Previously, Steve headed ZenithOptimedia Worldwide as CEO and was one of the founders, in 1988, of Zenith Media, an agency which revolutionized the sector. Steve King is recognized by the profession and often gives interviews in which he presents market trends and his vision of the main media issues. He was named in the 2016 Power List of the Adweek magazine. He has been a member of Publicis Groupe SA's Management Board since June 2017.

Other offices and positions held within the Group

- Director: Blue 449, Inc. (United States), Publicis Media, Inc. (United States), Zenith Media Services, Inc. (United States), Publicis Media Limited (United Kingdom), Walker Media Limited (United Kingdom), ZenithOptimedia International Limited (United Kingdom), Applied Media Logic Ltd (South Africa)
- Management Board member: Apex Exchange, LLC (United States)

Main offices and positions held outside the Group

None

Offices and positions held outside the Group in the last five years

None

2.1.1.3 Resignations, renewals and appointments during 2017

Maurice Lévy's term as Chair and member of the Management Board came to an end on May 31, 2017. The General Shareholders' Meeting of May, 31, 2017, appointed, from June 1, 2017 onwards, Maurice Lévy as member of the Supervisory Board for a term of four years which will come to an end after the Ordinary General Shareholders' Meeting called to approve the financial statements of the 2020 financial year.

The General Shareholders' Meeting of May 31, 2017 also decided to renew the terms of office of Supervisory Board members Simon Badinter and Jean Charest for a period of four years. These terms of office will end after the Ordinary General Shareholders' Meeting called to approve the financial statements of the 2020 financial year.

Having noted the appointment by the General Shareholders' Meeting of the same day of Maurice Lévy as member of the Supervisory Board, the Supervisory Board, at the meeting of May 31, 2017, approved the proposal made by Elisabeth Badinter to appoint Maurice Lévy Chair of the Supervisory Board for the duration of his term of office as Board member.

Having recorded the decision of Sophie Dulac to relinquish her position as Vice-Chair of the Board, the Supervisory Board also appointed Elisabeth Badinter Vice-Chair for the duration of her Supervisory Board member term of office, which will end after the Ordinary General Shareholders' Meeting called to approve the financial statements of the 2017 financial year.

The Supervisory Board then recorded the resignation of Jerry A. Greenberg from his position as Supervisory Board member.

The Supervisory Board meeting of May 31, 2017 also appointed, from June 1, 2017 onwards, Arthur Sadoun and Steve King as members of the Management Board until the renewal of the board on September 14, 2018, and appointed Arthur Sadoun Chair of the Management Board.

In addition, in accordance with article L. 225-79-2 of the French Commercial Code and article 13 of the Company's bylaws, Pierre Pénicaud was appointed, by the Group Committee meeting of June 20, 2017, member of the Supervisory Board representing employees, for a term of four years.

It is Important to note that the succession plan of the Chair of the Management Board (Maurice Lévy) was satisfactorily and smoothly implemented, in the context of close collaboration between the former Chair and the new Chair (Arthur Sadoun).

Changes in the composition of the Supervisory Board in 2017:

Member of the Supervisory Board	Departure	Renewal	Appointment	Nationality
Maurice Lévy, Chair of the Board			June 1, 2017(1)	French
Simon Badinter		May 31, 2017(1)		French
Jean Charest		May 31, 2017(1)		Canadian
Jerry A. Greenberg	May 31, 2017			US
Pierre Pénicaud, member representing employees			June 20, 2017(2)	French

(1) Term of office of 4 years expiring at the Shareholders' Meeting 2021 called to approve the financial statements for 2020.
(2) Term of office of 4 years from his appointment.

Changes in the composition of the Management Board in 2017:

Member of the Management Board	Departure	Renewal	Appointment	Nationality
Maurice Lévy, Chair of the Management Board	May 31, 2017			French
Arthur Sadoun, Chair of the Management Board			June 1, 2017	French
Steve King			June 1, 2017	British

2.1.1.4 Future changes in the composition of the Supervisory Board and Management Board

The Supervisory Board terms of office of Elisabeth Badinter, Claudine Bienaimé and Michel Cicurel will expire during the next General Shareholders' Meeting of May 30, 2018.

On the recommendation of the Nominating Committee, the Supervisory Board will propose to the next General Shareholders' Meeting the renewal of the Supervisory Board member terms of office of Elisabeth Badinter for a term of four years.

The Supervisory Board will also propose, at the next General Shareholders' Meeting, to appoint Cherie Nursalim as an independent Supervisory Board member for a term of four years. Ms Nursalim is Vice-Chair of GITI Group and of Indonesian nationality.

Improving the composition of the Supervisory Board is one of Publicis's ongoing objectives, which is reflected in the major changes made over the last few years and by the proposed appointment of Ms Nursalim. The Supervisory Board is determined to continue enhancing and diversifying its composition in order to increase the number of independent members, and will propose further appointments at forthcoming General Shareholders' Meetings.

In addition, the Supervisory Board, on the basis of the recommandation of the Nominating Committee, will examine the composition of the Management Board when all of the terms of Management Board members expire on September 14, 2018.

2.1.1.5 Independance criteria, conflicts of interest

In order to assess the independence of its members, the Supervisory Board used the criteria set out in the Afep-Medef Code, other than – for the reasons explained below – the criterion on the 12-year term limit, in particular:

- not to be or not to have been during the last five years:
  - an employee or an executive corporate officer of the Company,
  - an employee, executive corporate officer or director of a consolidated company;

- not be an executive corporate officer of a company in which the Group holds, directly or indirectly, a management position, or in which an employee designated as such or an executive corporate officer of the Company (currently or in the past five years) holds a management position;
- not be a client, supplier, business banker or investment banker:
  - that is significant to the Company or the Group,
  - or for which the Company or Group represents a significant part of its business;
- not have a close relative who is a corporate officer;
- have not been an auditor of the Company during the last five years.

The Supervisory Board was of the opinion that the limitation of the maximum duration of terms to twelve years is not appropriate for Supervisory Boards whose role is fundamentally different from that of Management Boards for which these criteria were defined.

The Supervisory Board is not responsible for the management of the Company, which falls to the Management Board alone, but for its direction and constant oversight. Because of this role, the Supervisory Board decided that the concept of the length of the term of office has no effect on the independence, by its very nature, of the supervisory duties that the Supervisory Board and its members perform. Furthermore, the Supervisory Board decided that the specific characteristics of the communications sector and its global expansion and technological development mean that experience is crucial for Board members to carry out their responsibilities.

To the best of the Company's knowledge, there are no existing family ties between the Supervisory/Management Board members, except between Elisabeth Badinter, daughter of the founder of Publicis Groupe Marcel Bleustein-Blanchet, her son Simon Badinter, and her niece Sophie Dulac.

The Supervisory Board verified that its members had no significant qualitative or quantitative business relations with the Group. It is noted that since May 18, 2016 Michel Cicurel has not been a director of Société Générale, a financial establishment with which Publicis Groupe SA has business relationships.

Applying these criteria, the Supervisory Board considered the following to be independent members: Marie-Josée Kravis, Claudine Bienaimé, Jean Charest, Michel Cicurel, André Kudelski and Thomas H. Glocer. Therefore half of the Supervisory Board are independent members. Pierre Pénicaud, Supervisory Board member representing employees, is not included in the calculation of this proportion.

Situation of members of the Supervisory Board with regard to the Afep-Medef Code's independence criteria: (the criterion is considered to be met when it is identified by ✓)

	Criterion 1(1)	Criterion 2(2)	Criterion 3(3)	Criterion 4(4)	Criterion 5(5)	Criterion 6(6)	Criterion 7(7)	Qualification applied by the Board
Maurice Lévy		✓	✓	✓	✓	✓	✓	Not independent
Elisabeth Badinter	✓	✓	✓		✓			Not independent
Sophie Dulac	✓	✓	✓		✓		✓	Not independent
Simon Badinter	✓	✓	✓		✓		✓	Not independent
Claudine Bienaimé	✓	✓	✓	✓	✓	✓	✓	Independent
Jean Charest	✓	✓	✓	✓	✓	✓	✓	Independent
Michel Cicurel*	✓	✓	✓	✓	✓		✓	Independent
Marie-Josée Kravis	✓	✓	✓	✓	✓	✓	✓	Independent
Marie-Claude Mayer		✓	✓	✓	✓	✓	✓	Not independent
Véronique Morali		✓	✓	✓	✓	✓	✓	Not independent
André Kudelski	✓	✓	✓	✓	✓	✓	✓	Independent
Thomas H. Glocer	✓	✓	✓	✓	✓	✓	✓	Independent

* *The Supervisory Board considers that Michel Cicurel, who has a length of service of over twelve years, is still independent for the reasons set out above (also see Section 2.1.4 – Application of the Afep-Medef Code: implementation of the rule "apply or explain").*

(1) *Criterion 1: not to be or not to have been during the last five years: 1) an employee or an executive corporate officer of the Company; 2) an employee, executive corporate officer or director of a consolidated company.*

(2) *Criterion 2: not have cross-directorships.*

(3) *Criterion 3: not have significant business relations.*

(4) *Criterion 4: not have a close relative who is a corporate officer.*

(5) *Criterion 5: have not been an auditor of the Company during the last five years.*

(6) *Criterion 6: not have been a Supervisory Board member for more than 12 years.*

(7) *Criterion 7: not hold more than 10% of share capital or voting rights.*

To the best of the Company's knowledge, over the past five years:

- no member of the Management Board or the Supervisory Board of Publicis Groupe SA has been convicted of fraud;
- no member of the Management Board or the Supervisory Board has been associated with a bankruptcy, or been subject to a sequestration or liquidation;
- no indictment and/or official public sanction has been pronounced against these people by statutory or regulatory authorities or professional organizations;
- no member of the Management Board or the Supervisory Board of Publicis Groupe SA has been banned by a court of law from acting as member of a corporate body, Management or Supervisory Board of a company issuing securities, nor from taking part in the management or business operations of an issuer.

The Supervisory Board has strict internal rules in the area of conflicts of interest: the principle is that members of the Supervisory Board must be able to exercise their role in a completely independent manner, vis-à-vis each other and vis-à-vis the Management Board, and that each member undertakes, as soon as he or she learns of it, to inform the Supervisory Board of any conflict of interest, whether actual or potential. No conflicts of interest were identified by either the Supervisory Board or by any of its members in 2017.

Apart from the information indicated, to the Company's knowledge there are no family links or potential conflicts between the interest of members of the Supervisory Board or of the Management Board of the Company and their duties towards the Company. There is no undertaking or agreement concluded by the Company or its subsidiaries with members of its Supervisory Board or the Management Board of the Company providing for benefits to be paid upon termination of their functions, nor any other agreement concluded between the Company, its subsidiaries and these persons, other than those described in Sections 2.2 and 2.3. Except as may be described otherwise in Section 2.3, no appointment as member of the Supervisory Board or the Management Board has been made pursuant to an undertaking made to a major shareholder, client or a supplier of the Company.

2.1.2 Management committees

Following the appointment of new chairmen of the Supervisory Board and Management Board in June 2017, the "Directoire +" has been replaced by two new management bodies: the Executive Committee and the Management Committee.

The Executive Committee is responsible for managing the Group's transformation and meets every month. It is comprised of members of the Management Board and:

- Carla Serrano, Chief Strategy Officer, Publicis Groupe;
- Nigel Vaz, Digital Business Transformation Lead Publicis Groupe, Chief Executive Officer EMEA & APAC Publicis.Sapient;
- Véronique Weill, General Manager, Publicis Groupe;
- Alan Wexler, Chief Executive Officer Publicis.Sapient.

The Management Committee meets every quarter and oversees the Group's operations and execution of its strategy. It is comprised of the Executive Committee members plus the following:

- Emmanuel André, Chief Talent Officer Publicis Groupe;
- Valérie Beauchamp, EVP Business Development, Publicis Groupe;
- Justin Billingsley, Chief Operating Officer Publicis Communications;
- Agathe Bousquet, Chair, France, Publicis Groupe;
- Gerry Boyle, Chief Executive Officer APAC Publicis Media;
- Andrew Bruce, Chief Executive Officer North America Publicis Communications;
- Nick Colucci, Executive Chair Publicis Health, Chief Operating Officer Publicis Communications North America;
- Lisa Donohue, Chief Executive Officer Publicis Spine;
- Tim Jones, Chief Executive Officer North America Publicis Media;
- Loris Nold, Chief Executive Officer Publicis Groupe APAC, Chief Operating Officer Publicis Communications APAC;
- Rishad Tobaccowala, Chief Growth Officer, Publicis Groupe;
- Alexandra Von Plato, Chief Executive Officer Publicis Health;
- Jarek Ziebinski, Chief Executive Officer Publicis One.

2.1.3 Operation of Supervisory Board and specialized Committees

Since November 27, 1987, Publicis Groupe SA has chosen to function under a Management Board and a Supervisory Board. This structure allows Publicis to separate management activities from supervisory activities and establish evenly balanced powers.

The Management Board is the Company's decision-making body for the Company's business operations.

The Supervisory Board has the responsibility of exercising ongoing supervisory authority over the Management Board. In application of the last paragraph of article 16 II of the Company's bylaws, the Supervisory Board wanted to establish four committees, including a Nominating Committee, a Compensation Committee, and a Strategy and Risk Committee separate from the Audit Committee, thereby going beyond the recommendations of the Afep-Medef Code.

The General Shareholders' Meeting of June 4, 2007 amended the Company's bylaws, empowering the Supervisory Board to determine each year which transactions referred to in article 12 of the bylaws would require prior approval. At its meeting of February 7, 2018, renewing its discussion of February 8, 2017, the Supervisory Board decided that the purchase or disposal of any real estate, the purchase or disposal of any company whose value exceeded 5% of the Company's equity, and any loan, bond or share issuance exceeding 5% of the Company's equity would be subject to the prior approval of the Supervisory Board.

These provisions are also specified in the internal rules of the Supervisory Board, as well as basic rules such as those concerning the independence of the Supervisory Board's members, conflicts of interest and confidentiality or privileged information. The internal rules also establish the terms on which the Supervisory Board and its specialized committees operate and the Board's relationship with the Management Board. During the course of 2017, the Supervisory Board made changes to its internal regulations regarding the roles of the Compensation Committee and Nominating Committee; it also added the possibility of setting up a new committee, called the Financial, M&A and Investment Committee. The internal regulations were also updated with certain recommendations of the Afep-Medef Code or provisions of the Sapin 2 Law and European Regulations on market abuses in relation to inside information and the setting up of employee representation on the Supervisory Board. The internal rules of the Supervisory Board are available on the Group website: www.publicisgroupe.com.

Functioning

The Supervisory Board meets as often as is necessary and its meetings are called by the Chair or, in their absence, the Vice-Chair, with a minimum of four meetings per year, one of which to approve the annual financial statements. The meetings are held in French. A simultaneous translation is available. In order to facilitate participation by members, particularly those who live overseas, the Supervisory Board has included provisions in its internal rules to allow members to participate in Supervisory Board meetings by video-conference or other mode of telecommunication in accordance with the law and regulations in force. Prior to meetings, the Management Board provides the Supervisory Board members with the documents and information needed for the performance of their duties. The documents required to examine the items on the agenda are normally sent to Supervisory Board members a few days in advance. The Management Board is always available to provide clarifications or additional information to any Supervisory Board member. The Supervisory Board may decide to meet without the presence of the Management Board, particularly with regard to deliberations on compensation for Management Board members. Meetings may be held with Group directors particularly to present strategic action plans.

To prevent insider trading, the Management Board established rules regulating the conduct of the Group's insiders, defining the periods in which trading in Company shares is permitted, which also applies to Supervisory Board members.

Duties of the Chair of the Supervisory Board

Maurice Lévy, Chair of the Supervisory Board since June 1, 2017, is responsible for the management transition with the new Management Board. He provides active, but not operational, support to the Management Board as needed, answers questions from the Management Board about any significant events for the Company, continues the trusted relationship with major clients of the Group that began several decades ago, coordinates efforts with public authorities in the countries where Publicis operates and provides the Group with the benefits of his years of experience. He participates in three Supervisory Board Committees: Nominating Committee, Remuneration Committee and Strategy and Risk Committee. During this first year, he has been dedicated full-time to the Group.

Supervisory Board activity in 2017

The Supervisory Board met six times in 2017, with an average attendance rate of 96%.

The main points examined and decisions made by the Supervisory Board at its meetings during 2017 were as follows:

- In its meeting of February 8, 2017, the Supervisory Board took note of the management report of the Management Board for the previous year and reviewed the consolidated financial statements and parent company financial statements for 2016, after having heard the Audit Committee and the conclusions of the statutory auditors. The Supervisory Board renewed the limits on the powers of the Management Board and the annual authorizations for sureties and guarantees. The Supervisory Board was informed of the internal procedure set up by the Management Board for the treatment of inside information, in accordance with European Regulations on market abuses and the doctrine of the *Autorité des marchés financiers* (the French Financial Markets Authority, or AMF). The Supervisory Board was informed of the preparation for the General Shareholders' Meeting of May 31, 2017.
- During its meeting of March 1, 2017, the Supervisory Board commented on the draft resolutions to submit to the General Shareholders' Meeting. It examined the independence criteria for its members and renewed the independent status of members. The Strategy and Risk Committee presented its report. Without the presence of Management Board members, the Supervisory Board examined the summary and learned from the conclusions of the annual self-assessment of its work for the 2016 financial year, adopted the terms of its report on the Management Board's report and the financial statements for the 2016 financial year and approved the Chair's report on the operation of the Supervisory Board and the internal control and risk management procedures. After having heard the report of the Compensation Committee, the Supervisory Board adopted the variable remuneration, for the 2016 financial year, of Anne-Gabrielle Heilbronner and of Jean-Michel Etienne, members of the Management Board, approved the allocation criteria proposed for the 2017 bonus and maintained, for 2017, the same fixed annual remuneration as in 2016. The Supervisory Board set the fixed remuneration amount and the allocation criteria for the variable remuneration, from June 1, 2017, of Arthur Sadoun, future Chair of the Management Board, and Steve King, future member of the Management Board, and commented on the commitments relating to their end of term of office or severance compensation, and non-compete agreement. Without the presence of Maurice Lévy, Chair of the Management Board, the Supervisory Board, on the recommendation of the Remuneration Committee, set his variable remuneration for 2016 paid in 2017 and his 2017 remuneration both for his term of office as Chair of the Management Board until May 31, 2017, and his future term of office of Chair of the Supervisory Board from June 1, 2017 onwards. The Supervisory Board adopted the remuneration policy of Management Board and Supervisory Board members, to be voted on by shareholders in accordance with article L. 225-82-2 of the French Commercial Code.
- During its meeting of May 31, 2017, the Supervisory Board appointed Maurice Lévy Chair of the Supervisory Board, having noted his appointment by the General Shareholders' Meeting as Board member, and Elisabeth Badinter as Vice-Chair, from June 1, 2017, then reviewed the composition of its four committees. It appointed Arthur Sadoun, Chairman of the Management Board, and Steve King, Management Board member, from June 1, 2017. The Supervisory Board took note of the management report of the Management Board of March 31, 2017 and the quarterly parent company and consolidated financial statements for the Company. The Audit Committee presented its report. The Group's position at the end of April 2017, as well as the updated forecasts, were presented to the Supervisory Board. The Management Board reported the guarantees granted by Publicis Groupe SA to its subsidiaries.
- During the first part of the meeting of July 19, 2017, Arthur Sadoun set out the main objectives and challenges of the Group within the framework of the "Power of One" concept and presented his action plan. During the second part of the meeting, the Supervisory Board took note of the management report of the Management Board of June 30, 2017, and examined the half-yearly parent company financial statements and consolidated financial statements, after having heard the report of the Audit Committee and the conclusions of the statutory auditors. It was presented with the forecasts updated to end 2017. Votes and questions from the General Shareholders' Meeting of May 31, 2017 were analyzed. Without the presence of the Management Board, the Supervisory Board took note of the report by the Compensation Committee and Nominating Committee.
- During its meeting of September 13, the Chairman of the Management Board gave a summary of the Group's financial position over the first hundred days of this Chairmanship and presented the actions undertaken and the priorities for the next few months. The Supervisory Board was informed of the results of the Group at August 31, 2017 and of the annual forecasts. It took note of developments in advertising spending and the media market. The Strategy and Risk Committee and the Audit Committee presented their reports. The Supervisory Board discussed cybersecurity and measures in place within the Group. It was informed of the obligations resulting from the law of March 28, 2017 on the duty of vigilance of parent companies and ordering companies, and of the current creation of the Publicis vigilance plan. Without the presence of Management Board members apart from the Chair, the Supervisory Board heard the reports from the Remuneration Committee and the Nominating Committee.

- During the first part of its meeting of November 29, 2017, Professor Yves Frégnac made a presentation on Big Data and Artificial Intelligence. During the second part, the Supervisory Board read the management report by the Management Board of September 30, 2017 and examined the Company's parent company financial statements and consolidated financial statements for the third quarter, after having heard the Audit Committee's report. The Group's position and results as of the end of October, as well as the updated forecasts, were presented. The Supervisory Board was informed of the main lines of the 2018 commitments and of the savings action plan which will be put in place in 2018. The Supervisory Board conducted an annual review of its regulated agreements and commitments signed and authorized previously and which continued to be executed during the 2017 financial year, and considered that the reasons that justified these authorizations remain relevant. The Supervisory Board was informed of the Group's policy in the area of harassment and discrimination. The Remuneration Committee and Nominating Committee presented their report.

Assessment of the Supervisory Board

The Supervisory Board performs an annual self-assessment of its work, examines the summary results and draws conclusions. Each member of the Supervisory Board completes a questionnaire for the self-assessment; the results are then summarized and commented on. Claudine Bienaimé, independent member, carried out this assessment for the 2016 financial year with support from the Legal Department. The analysis of the conclusions of this 2016 assessment was presented during the Supervisory Board meeting of March 1, 2017. According to this analysis, overall the Board is satisfied with its functioning, and particularly its relationship with the Management Board, the development of the Group's governance, the work done in the committees and the individual contribution of its members. However, the Supervisory Board would like to be more regularly informed about significant issues with briefing notes, and to know Group directors (apart from Management Board members) better. It believes that remuneration of Group managers and talent, the composition of the Management Board, and the monitoring of the Group's transformation, are priority issues. It notes that overall its committees function well.

The assessment shows that the recommendations of previous years have been gradually applied (staggering of Supervisory Board members' terms of office, diversity of composition of the Supervisory Board, progression of Supervisory Board's independence, strengthening of the Audit Committee, presentation of businesses and knowledge of Group's executives).

This assessment for the 2017 fiscal year was also carried out by Claudine Bienaimé, and the conclusions presented during the meeting of March 7, 2018.

Observations of the Supervisory Board on the Management Board report and the financial statements for 2017

During the Supervisory Board meeting of February 7, 2018, the Management Board presented its management report and the annual and consolidated financial statements of the 2017 financial year. The Supervisory Board examined them, made itself aware of the opinion of the Audit Committee on the closing of the accounts, and had a discussion with the statutory auditors. After having received all the information deemed to be relevant, the Supervisory Board had no comments to make.

The Supervisory Board's special committees

The detail of the operating conditions for the four Committees is indicated in the second title "Specialized Committees" in the Supervisory Board's internal rules. This document is available for consultation on the Publicis Groupe site (www.publicisgroupe. com).

Each Committee is comprised of at least three, and no more than five members who must be natural persons, members of the Supervisory Board and appointed by the Supervisory Board. Members are chosen for their competence and expertise in the committee's scope of work. The committees may appoint an external consultant, either temporarily or on a permanent basis, whose compensation will be determined by the committee in question.

The four special committees (the Nominating Committee, the Compensation Committee, the Audit Committee and the Strategy and Risk Committee) assist the Supervisory Board in performing its duties with the aim of improving Group corporate governance. The committees were re-organized in 2017 due to the resignation of Supervisory Board member Jerry A. Greenberg, member of the Remuneration Committee and the Strategy and Risk Committee, the appointment of Maurice Lévy as Chair of the Supervisory Board, and the appointment of Pierre Pénicaud as Supervisory Board member representing employees.

The members of the four committees are appointed for the duration of their term on the Supervisory Board and may be reelected in the same manner, pursuant to article 13 of the bylaws. Each Committee elects a Chair from among its members to direct the work of the Committee and to provide reports to the Supervisory Board.

Committee members may be dismissed at the discretion of the Supervisory Board, without any need for justification. Nominations and dismissals are communicated by regular mail sent to all members of the committee. At least half of the members of the Committees must be present to validly deliberate. A member may not participate by proxy.

Nominating Committee

The Nominating Committee is governed by article 7 and seq. of the Supervisory Board's internal rules.

The missions of the Nominating Committee are as follows:

- to make any appropriate observations on the composition of the Supervisory Board and Management Board;
- to propose, to the Board, candidates for corporate officers of the Company;
- to examine, prior to any decision of the Management Board, proposals for the appointment of executives at the Group level and members of Solution Hubs Executive Committees. In the event of an emergency, the decision to appoint these executives is taken jointly by the Chair of the Management Board and the Chair of the Supervisory Board which will inform the Committee after they have made the decision. In addition, the Committee is informed of decisions, after they are made, to appoint members of countries' Executive Committees;
- to draw up a succession plan for executive and non-executive corporate officers and to examine, beforehand, the succession plans for all key positions.

The Nominating Committee met three times during 2017; with an attendance rate of 87%.

During the course of 2017, the Nominating Committee studied the independence of the Supervisory Board members and confirmed the criteria to assess this independence. The Committee continued its discussions to enhance the composition of the Supervisory Board in 2018. The Committee officially recorded the appointment by the Group Committee of Publicis Groupe SA of Pierre Pénicaud as Member of the Supervisory Board representing employees and proposed his appointment, as per Pierre Pénicaud's wishes, as member of the Strategy and Risk Committee.

Compensation Committee

The Compensation Committee is governed by article 8 and seq. of the Supervisory Board's internal rules.

The missions of the Compensation Committee are as follows:

- to issue a recommendation on the amount and allocation of attendance fees allocated to members of the Supervisory Board;
- to study and propose to the Supervisory Board the elements of compensation and benefits to executive corporate officers in the Company, and particularly the variable compensation, as well as the attribution of stock subscription or purchase options, performance shares and all other elements of compensation (termination benefits, pension, non-compete clauses…);
- to propose to the Supervisory Board the text of resolutions concerning the compensation of corporate officers to be submitted to the General Shareholders' Meeting;
- to approve, prior to any decision by the Management Board, the conditions for fixed, variable and exceptional compensation making up the total remuneration and other benefits of executives at the Groupe level and of the members of the Solution Hubs Executive Committees. In the event of an emergency, the decision on the compensation conditions of these directors is taken jointly by the Chair of the Management Board and the Chair of the Supervisory Board which will inform the Committee after they have made the decision. In addition, the Committee is informed of the decisions on the compensation conditions of countries' Executive Committee members;
- in general terms, approving, prior to any decision of the Board, the bonus systems, and policies in the area of compensation, awarding of stock options, free shares or performance shares, or any similar instrument.

The Compensation Committee met six times during 2017, with an attendance rate of 93%.

In 2017, the Committee examined questions regarding the compensation (fixed and variable components) of members of the Management Board in place, and of new members from June 1, 2017, of Maurice Lévy both in relation to his term of office as Chair of the Management Board until May 31, 2017 and in relation to that of Chair of the Supervisory Board from June 1, 2017, and proposed decisions to the Supervisory Board in this regard. The Committee informed the Supervisory Board of its recommendations regarding the non-compete agreements and severance payments for new Management Board members.

The Committee also looked at matters relating to the share compensation policy, particularly the setting up of an LTIP 2017, a share-based compensation plan for the main Group managers (excluding the Management Board). The Committee examined the compensation systems for key Group employees and their possible evolution. Concerned about the key issue of Publicis's compensation policy in a very competitive and international environment, the committee commissioned an external consultant to assess the relevance of the Group's compensation system, its appropriateness to the new environment in which Publicis operates and to propose improvements to the current mechanisms. The conclusions of the study carried out are the basis of the adjustments which the committee proposed to the Supervisory Board for 2018.

Strategy and Risk Committee

The Strategy and Risk Committee is governed by Article 9 and seq. of the Supervisory Board's internal rules.

The missions of the Strategy and Risk Committee are as follows:

- to examine (in coordination with the Audit Committee), the risks to which the Company is exposed and the policies and corrective measures that will allow it to control and reduce these risks;
- to study the major strategic and growth options available to the Group and decide whether or not they are implemented with respect to transactions likely to affect the Group's strategy as a whole;
- to examine the Group's Corporate Social and Environmental Responsibility strategy and the options selected to implement this strategy.

The Strategy and Risk Committee met twice during 2017; with an attendance rate of 89%.

In 2017, the committee examined and updated the Group's risk mapping. In accordance with the Sapin 2 Law on new obligations in the area of preventing and fighting corruption, the Committee updated the risk mapping for corruption and influence trafficking which serves as the basis for controls and audits, even though Publicis does not operate in a sector which is particularly exposed to these risks. The Committee also reviewed the main risks in the area of cybersecurity and the measures implemented to reduce them. The Committee discussed the major strategic options in terms of transformation, development and acquisitions.

Audit Committee

The Audit Committee is governed by article 6 and seq. of the Supervisory Board's internal rules.

The missions of the Audit Committee in the opinion of the Supervisory Board are as follows:

- to examine the parent company financial statements and consolidated financial statements, as well as the financial disclosures issued, before they are presented to the Supervisory Board, to monitor their preparation and to formulate, if required, recommendations to guarantee their integrity;
- to supervise the organization and implementation of the Group's audit, to monitor the effectiveness of the internal control and risk management and to verify the accuracy and fairness of the financial statements;
- to issue a recommendation to the Supervisory Board on the choice of statutory auditors proposed for appointment or renewal by the General Shareholders' Meeting under the conditions stipulated by the law, and to ensure their independence;
- on behalf of the Supervisory Board, to authorize the provision of services not included in the missions of legal control as well as the budget to be allocated, in accordance with legal provisions.

The Audit Committee met seven times during 2017; with an attendance rate of 89%.

During the course of the 2017 financial year, the Audit Committee was regularly informed about the program, the results and corrective measures implemented following the internal audit, the results of auditing assignments and their follow up as well as the principal pending legal disputes and their developments. It was also informed about all fraud or fraud attempts of which the Group may have been made aware. The Audit Committee listened to the statutory auditors without the presence of the management team during its meetings on the accounts. The Committee checked the independence of the statutory auditors and monitored the completion of their duties. The statutory auditors presented their methodology, the scope of their audit and the main technical matters of the audited accounts, and detailed their work to the Committee. The Committee reviewed and authorized the fees for additional assignments entrusted to the statutory auditors and issued an opinion on the budget for their fees for the 2017 financial year. The Committee made itself familiar with the action plans aimed at reducing the Group's costs. The action plan relating to the parent companies' duty of vigilance was presented to the Committee. The Committee monitored the process for the internal audit certification by the French Audit and Internal Control Institute (IFACI). This certification was obtained on March 13, 2017. The Committee reported to the Supervisory Board the exercise of its duties, the results of the accounts certification, the way that this had contributed to the integrity of the financial information and the Committee's role in the process.

Due to their professional backgrounds, the four members of the Committee have particular expertise in financial and accounting matters.

The Committee has a sufficient period of time to study the accounts before they are examined by the Supervisory Board.

2.1.4 Application of the Afep-Medef Code: implementation of "apply or explain" rule

Within the framework of the "Apply or explain" rule specified in article L. 225-37-4 of the French Commercial Code and referred to in article 27.1 of the Afep-Medef Code, the Company considers that its practices are compliant with the recommendations of the Afep-Medef Code. However, some provisions have been dismissed, for the reasons explained hereafter:

Recommendations of the Afep-Medef Code	Position
Article 8 – Independence of Directors criterion Maximum period of twelve years for the terms of office of members of the Board of Directors. The status of independent director is lost after 12 years.	The Supervisory Board has chosen not to follow the criterion limiting the terms of Supervisory Board members to 12 years, believing that this limitation is not suitable for Supervisory Boards, whose role is fundamentally different from that of a Board of Directors, for which these criteria were defined. The Supervisory Board, as a non-executive body, is not responsible for the management of the Company, which falls to the Management Board alone, but for its direction and constant oversight. Because of this role, the Supervisory Board decided that the concept of the length of the term of office has no effect on the independence, by its very nature, of the supervisory duties that the Supervisory Board and its members perform. Furthermore, the Supervisory Board decided that the specific characteristics of the communications sector and its global expansion and technological development mean that experience is crucial for Supervisory Board members to carry out their responsibilities. Attentive to the recommendations of the Afep-Medef Code regarding this criterion, the Supervisory Board implemented a pro-active policy of renewal of its members. The last office held for over twelve years, including Supervisory Board member Michel Cicurel, qualifying as independent, will expire at the end of the General Shareholders' Meeting called to approve the financial statements of the 2017 financial year.
Article 17.1 – Composition of the Compensation Committee	Pierre Pénicaud was appointed member of the Supervisory Board representing employees by the Publicis Groupe SA Group Committee on June 20, 2017. Pierre Pénicaud is, on his request, a member of the Strategy and Risk Committee. The Supervisory Board supported this request, of the opinion that his significant experience in the Group and his operational knowledge are assets for this Committee. As a Board member, Pierre Pénicaud naturally attends meetings reviewing compensation of corporate officers, which allows him to express himself on these matters.

2.1.5 Code of Ethics

The Group has a set of rules governing its behavior and ethics under the name "Janus". These guidelines, applicable to all of the Group's hierarchical levels, set out the rules of conduct to carry out operations: "The Publicis way to behave and to operate". The Code was updated in April 2015, circulated across all the networks, and is available in seven languages.

Janus includes the rules and principles related to ethics, corporate social responsibility, compliance with regulatory and legal frameworks, governance, communication, conducting business and customer relations, human resource management, protecting the Group's brands and intellectual property, financial and accounting management, as well as rules governing mergers and acquisitions, investments, restructuring and purchasing policies.

The guidelines include a Code of Ethics applying to all Group employees with specific rules for members of the Management Board and other main executives. The values embodied by Publicis are clearly outlined there, starting with respect for individuals and their diversity.

The aim of these rules of conduct is to provide the Group with strict rules and procedures for running our business worldwide in all fields: human management, business ethics, financial management, individual responsibility. This includes encouraging diversity and preventing discriminatory conduct. They are meant to prevent any illegal activity, in particular by ensuring that Group employees comply with laws and regulations in the conduct of the Group's business. Janus also contains a separate chapter with a detailed code of conduct on stock market trading, designed to prevent insider trading. The Group's rules of conduct are also meant to prevent favoritism, misappropriation of funds, breach of trust, corruption, conflicts of interest or other misconduct and subject the Group and its employees to the highest standards in terms of integrity, ethics and compliance. They are designed to protect the Group's data and know-how by establishing strict guidelines regarding confidentiality and good faith. Finally, they establish procedures for control and reporting by management of the Group and of the various networks of any breach of these policy rules, which have also been made public.

This Code is available on the Group's website (www.publicisgroupe.com) in the "Corporate Social Responsibility" section, under "CSR Publications" then "Code of Ethics".

In addition, Publicis undertakes to provide a copy of its Code of Ethics free of charge to any person upon request. A request may be made directly to the Group's Legal Department by telephone on 33(0)1 44 43 70 00 or by mail to 133, avenue des Champs-Élysées, 75008 Paris, France.

2.2 COMPENSATION OF CORPORATE OFFICERS

Publicis Groupe has introduced a stringent and attractive compensation policy, designed to motivate employees to become fully involved in helping the Group achieve its strategic goals and to ensure long-term performance. The compensation structure is communicated to employees, shareholders and investors in a clear and transparent manner.

The following information describes the philosophy and principles behind compensation for Corporate officers. Publicis Groupe refers to the recommendations of the Afep-Medef Code in terms of compensation.

The report on corporate governance presents, in particular, the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional elements of the total compensation and benefits of all kinds due to executive corporate officers and Supervisory Board members. Pursuant to article L. 225-82-2 of the French Commercial Code, the General Shareholders' Meeting of May 30, 2018 will be called to approve the compensation policies for the 2018 fiscal year for members of the Supervisory Board and Management Board (as detailed in Sections 2.2.1.1, 2.2.1.2, and 2.2.3.1 below). For this purpose, four resolutions will be proposed (fifteenth to eighteenth resolutions). Resolutions of this nature will be submitted to the General Shareholders' Meeting each year for approval under the terms set forth by law. If shareholders at the General Meeting of Publicis Groupe SA fail to approve these resolutions, compensation shall be determined in accordance with compensation granted in the previous year, or in the absence of compensation granted in the previous year, in accordance with Company policy.

In addition, pursuant to article L. 225-100 II of the French Commercial Code, the fixed, variable and exceptional elements of the total compensation and benefits of all kinds paid or awarded to the Chair of the Supervisory Board, Chair of the Management Board and members of the Management Board in respect of the 2017 fiscal year will be submitted to the General Shareholders' Meeting of May 30, 2018 for approval (see Section 2.2.4.2, below). Please note that payment in 2018 of the variable and exceptional elements of compensation in respect of the fiscal year 2017, which are set forth below for the Chair of the Management Board and members of the Management Board, will be subject to approval from the Ordinary General Shareholders' Meeting for these elements of compensation as stipulated in article L. 225-100 II of the French Commercial Code.

2.2.1 Compensation of members of the Supervisory Board

Sections 2.2.1.1 and 2.2.1.2 form the report on the principles and criteria for the determination and allocation of the elements of the total compensation and benefits of all kinds due to the Chair and members of the Supervisory Board, which are subject to approval from the General Shareholders' Meeting of May 30, 2018 in its fifteenth and sixteenth resolutions, pursuant to article L. 225-82-2 of the French Commercial Code. These principles and criteria are applicable to the 2018 fiscal year.

2.2.1.1 Principles and Criteria for the compensation of members of the Supervisory Board

The compensation policy for members of the Supervisory Board of Publicis Groupe SA aims to reward the expertise and involvement of its members, against the backdrop of their ever-increasing commitment.

Total envelope of attendance fees

The total envelope of attendance fees allocated to members of the Supervisory Board is determined by Publicis Groupe SA's General Shareholders' Meeting.

The Group's General Shareholders' Meeting of May 28, 2014 set an annual envelope of euro 1.2 million for attendance fees for members of the Supervisory Board, valid for each fiscal year and until a new decision by shareholders.

Going beyond the recommendations of the Afep-Medef Corporate Governance Code, the Supervisory Board decided that the allocation of attendance fees among the members of the Supervisory Board will be solely based on actual attendance at Supervisory Board and committee meetings.

In accordance with the total maximum budget for attendance fees approved by the General Shareholders' Meeting, each member of the Supervisory Board receives euro 5,000 for each Supervisory Board meeting and each committee meeting attended. At his request, Pierre Pénicaud will receive an amount of euro 2,500 for each Supervisory Board meeting and each committee meeting attended, and the Company has decided to allocate an equivalent amount to a charity.

The payment of attendance fees in respect of a fiscal year takes place the following year.

For information, 59% of the total envelope of attendance fees was used for 2017.

Exceptional compensation

According to article 17 III of the Company's bylaws, the Supervisory Board may grant, in accordance with applicable laws, exceptional compensation for specific assignments and duties entrusted to its members.

This compensation shall be determined by the Supervisory Board by taking into account the length and complexity of the assignment after obtaining the Compensation Committee's opinion.

For information, this option was not used in 2017.

This compensation policy for the members of the Supervisory Board, in respect of the 2018 fiscal year, is subject to approval (*ex ante* vote) from the General Shareholders' Meeting of May 30, 2018, in its sixteenth resolution, pursuant to article L. 225-82-2 of the French Commercial Code.

Compensation for the Vice-Chair

With the exception of attendance fees, Elisabeth Badinter does not receive any specific compensation in respect of her term of office as Vice-Chair of the Supervisory Board, which took effect on June 1, 2017. Elisabeth Badinter does not have an employment contract with Publicis Groupe SA or any of its subsidiaries.

2.2.1.2 Principles and criteria for the compensation of the Chair of the Supervisory Board

In accordance with article 17 I of the Company's bylaws, the Chair may, in addition to attendance fees, receive specific compensation in respect of his duties (which are not included in the total annual amount of attendance fees). The amount of this compensation is determined by the Supervisory Board taking into account the tasks that are allocated to him, upon the Compensation Committee's proposal.

The compensation awarded, if applicable, is a fixed amount, and excludes variable elements, additional benefits, and share-based compensation.

Following the announcement on January 26, 2017 of the Supervisory Board's decision to appoint Arthur Sadoun effective from June 1, 2017 to succeed Maurice Lévy as Chair of the Management Board of Publicis Groupe SA, Elisabeth Badinter proposed Maurice Lévy to join the Supervisory Board and succeed her as Chair.

At this crucial moment in the history of the Publicis Groupe, combining the succession of Maurice Lévy with the transformation of the Group, the Supervisory Board has asked Maurice Lévy to take an active role in supporting the transition and to that end wishes to appoint Maurice Lévy Chair of the Supervisory Board as of June 1, 2017. The appointment of Maurice Lévy as a member of the Supervisory Board of the Company was approved by the General Shareholders' Meeting of May 31, 2017.

In his new role as Chair of the Supervisory Board, Maurice Lévy assists, though without operating responsibility, the Management Board in this phase of gradual transition, and more specifically, maintain with the Group's major clients the relationship of trust established in many cases decades ago. He is consulted by the members of the Management Board, as required, on significant events, coordinates efforts with public authorities in the countries where Publicis operates and provides the Group with the benefits of his 47 years of experience.

In consideration of this investment and waiving the gross annual non-compete compensation of euro 1,800,000 for three years which he received under his non-compete agreement authorized by the Supervisory Board on March 17, 2008 and approved by the General Shareholders' Meeting of June 3, 2008, the Supervisory Board set the gross annual compensation of Maurice Levy as Chair of the Supervisory Board beginning June 1, 2017 at a fixed amount of euro 2,800,000.

Maurice Lévy does not have an employment contract with Publicis Groupe SA or any of its subsidiaries.

The compensation policy for Maurice Lévy as Chair of the Supervisory Board in respect of the 2017 fiscal year was approved, along with his appointment, by the General Shareholders' Meeting of May 31, 2017 (eighth resolution) pursuant to article L. 225-82-2 of the French Commercial Code (ex ante vote).

This policy has not been amended in respect of the 2018 fiscal year, and is subject to approval (ex ante vote) from the General Shareholders' Meeting of May 30, 2017 in its fifteenth resolution.

2.2.1.3 Amounts paid in 2017 to members of the Supervisory Board

The total compensation including all benefits of any kind paid during the fiscal year ended December 31, 2017 to each member of the Supervisory Board, both by the Company and by the companies controlled by the Company as defined by article L. 233-3 of the French Commercial Code, is indicated hereafter.

The compensation of the members of the Supervisory Board is exclusively comprised of attendance fees, with the exception of the compensation paid to the Chair (see 2.2.1.2), and with the exception of the salaries paid to Marie-Claude Mayer and Pierre Pénicaud in respect of their employee functions in the Group in 2017. If applicable, the amount of fixed and variable compensation included in the total compensation is indicated. Total compensation is expressed in euros. The amounts indicated are gross amounts before deductions of taxes or social charges.

Compensation (in euros) paid during 2017 to members of the Supervisory Board (gross amounts before social security contributions and taxes)

	Total 2017 gross compensation of which	Fixed part	Variable compensation	Attendance fees	Benefits in kind[9]	Total 2016 gross compensation	Including fixed part
Maurice Lévy[1]	-	-	-	-	-	-	-
Elisabeth Badinter[2]	160,000	100,000	-	60,000	-	295,000	240,000
Sophie Dulac	30,000	-	-	30,000	-	35,000	-
Simon Badinter	35,000	-	-	35,000	-	35,000	-
Claudine Bienaimé	100,000	-	-	100,000	-	105,000	-
Michel Cicurel	90,000	-	-	90,000	-	65,000	-
Hélène Ploix[3]	-	-	-	-	-	30,000	-
Amaury de Seze[4]	50,000	-	-	50,000	-	70,000	-
Henri-Calixte Suaudeau[3]	-	-	-	-	-	25,000	-
Gérard Worms[3]	-	-	-	-	-	35,000	-
Véronique Morali	90,000	-	-	90,000	-	75,000	-
Marie-Josée Kravis	55,000	-	-	55,000	-	50,000	-
Marie-Claude Mayer[5]	344,167	229,167	70,000	45,000	-	370,000	250,000
Jean Charest	75,000	-	-	75,000	-	50,000	-
Jerry Greenberg[6]	90,000	-	-	90,000	-	30,000	-
Thomas Glocer[7]	30,000	-	-	30,000	-	-	-
André Kudelski[7]	30,000	-	-	30,000	-	-	-
Pierre Pénicaud[8] Member representing employees	70,000	70,000	-	-	-	-	-

(1) Start of the term of office as Chair of the Supervisory Board on June 1, 2017.
(2) Chair of the Supervisory Board until May 31, 2017, Vice-Chair of the Supervisory Board since June 1, 2017.
(3) End of term of office as a member of the Supervisory Board on May 27, 2015.
(4) End of term of office as a member of the Supervisory Board on May 25, 2016.
(5) Marie-Claude Mayer held an employment contract with Publicis Conseil until the date of her retirement on December 1, 2017. In respect of her employee functions, in 2017, Marie-Claude Mayer received fixed compensation of €229,167, variable compensation in respect of 2016 of €70,000 and an exceptional bonus of €125,000, and, on her retirement, a legal retirement benefit of €475,289 and a compensation indemnity for paid leave of €16,667.
(6) Resigned on May 31, 2017.
(7) Start of term of office as a member of the Supervisory Board on May 25, 2016.
(8) Appointment as member of the Supervisory Board representing employees on June 20, 2017. Pierre Pénicaud did not receive any attendance fees in 2017, and received in respect of his employee functions a fixed salary of €70,000.
(9) Benefits in kind relating to the use of a company-provided vehicle are not mentioned when they are for an immaterial amount.

The summary table of the elements of compensation paid or awarded for the year ended December 31, 2016 to Elisabeth Badinter, Chair of the Supervisory Board until May 31, 2017, in Section 2.2.4.2 below, will be submitted to the General Shareholders' Meeting of May 30, 2018 for approval in its eighth resolution in accordance with article L. 225-100 II of the French Commercial Code.

The summary table of the elements of compensation paid or awarded for the year ended December 31, 2017 to Maurice Lévy, Chair of the Supervisory Board since June 1, 2017, in Section 2.2.4.2 below, will be submitted to the General Shareholders' Meeting of May 30, 2018 for approval in its tenth resolution in accordance with article L. 225-100 II of the French Commercial Code.

2.2.2 Compensation and benefits of Maurice Levy as Chair of the Management Board until May 31, 2017

As a reminder, since January 1, 2012, Maurice Lévy's compensation as Chair of the Management Board was entirely variable and related to achieving financial performance criteria of the Group, and non-financial individual criteria. Since his term as Chair of the Management Board ended on May 31, 2017, the Supervisory Board found it impossible to measure the Group's performance for only the first five months of 2017. The Supervisory Board of Publicis Groupe SA had therefore decided to extend the amount of the compensation obtained for fiscal year 2016 and to *prorate* it over the first five months of the 2017 fiscal year.

Maurice Lévy's term of office as Chair of the Management Board expired at the end of the General Shareholders' Meeting of May 31, 2017.

In addition to the fixed compensation for the first five months of 2017 as indicated above, Maurice Lévy did not receive any compensation or indemnity at the time of the expiry of his term of office as Chair of the Management Board.

The compensation policy for Maurice Lévy, as Chair of the Management Board for the 2017 fiscal year, was approved (ex ante vote) by the General Shareholders' Meeting of May 31, 2017 (eleventh resolution) in accordance with article L. 225-82-2 of the French Commercial Code.

2.2.3 Compensation of the Management Board

In accordance with article 10 IV of the Company's bylaws, compensation for the Chair and members of the Management Board will be set by the Supervisory Board and reviewed on the recommendation of the Compensation Committee. For members of the Management Board other than the Chair, the Chair of the Management Board shall make proposals to the Compensation Committee.

Section 2.2.3.1 forms the report on the principles and criteria for the determination and allocation of the elements of the total compensation and benefits of all kinds due to the Chair and members of the Management Board, which are subject to approval from the General Shareholders' Meeting of May 30, 2018 in its seventeenth and eighteenth resolutions, pursuant to article L. 225-82-2 of the French Commercial Code. These principles and criteria are applicable to the 2018 fiscal year.

2.2.3.1 Principles and criteria for the compensation of members of the Management Board

The compensation policy of the Publicis Groupe SA Management Board aims to align the interests of the Group's Executives with those of the shareholders by establishing a strong link between performance and compensation. Within this context, its essential purpose is to encourage the achievement of ambitious objectives and create value on a long-term basis, by setting stringent performance criteria.

In order to do so, the compensation structure of the Publicis Groupe SA executives is partly based on fixed compensation and partly on annual and multi-year variable compensation directly linked to their individual performance as well as their contribution to Group performance.

Furthermore, it is based on an in-depth analysis (using the services of external consultants) of market trends observed in France and abroad, both in major international companies in general and, more specifically, in the companies competing with Publicis Groupe in terms of both business and talents. It should be noted that the main competitors of Publicis Groupe are American and British companies.

This compensation policy is based on the following objectives:

- attract, develop, retain and motivate the most talented individuals in a sector fundamentally based on the quality of employees, and where competition for talent is particularly fierce, especially in the context of the digital transformation, underway throughout the industry;
- encourage the management to achieve a level of performance which is high, growing and long-lasting within a very competitive environment, where new players from consulting or technological firms have become direct competitors of Publicis Groupe.

It is guided by three principles:

- a competitive and coherent compensation package with regard to market trends;
- internal equity, based on individual and collective performance, in order to ensure fair and balanced compensation reflecting the level of individual success of each person, measured both quantitatively and qualitatively;
- achieving all the short, medium and long-term financial and operating results directly linked with the Group's strategic objectives and for the benefit of all stakeholders, our clients, our employees, our shareholders and all our stakeholders.

These principles apply to all Group executives and are adapted based on the geographical location of the individuals, taking into consideration the differences in terms of regulations, market practices and the competitive environment.

Components of the compensation of the members of the Management Board

The compensation of the members of the Management Board includes (i) a fixed part, as well as (ii) a significant portion based on the performance and alignment of their interests with those of the Company and shareholders, and comprised of an annual variable compensation in the form of a bonus and a long-term variable compensation in the form of shares and/or stock options. This variable compensation structure applicable to the members of the Management Board is in line with that proposed to the Group's main executives.

FIXED COMPENSATION

The fixed part is determined by taking into account:

- the scope of responsibility and its complexity;
- the career path and experience of the person holding the position;
- consistency compared to the other Group functions (internal equity);
- market practice for identical or comparable positions (external competitiveness).

The level of fixed compensation is reviewed every two years both for the Management Board members and for the other Group executives in order to regularly assess its relevance and competitiveness.

Compensation for Management Board members is generally reassessed at relatively long intervals, in accordance with the Afep-Medef Corporate Governance Code, and when such a revision is justified, for example in the event of a change in scope or an adjustment relative to market practices or internally.

ANNUAL VARIABLE COMPENSATION

Annual variable compensation is intended to represent a substantial part of the total annual compensation of executives, if set objectives are achieved. It encourages overperformance as a specific reward is paid when the objectives are exceeded.

Annual variable compensation is subject to quantifiable (financial and non-financial) performance and qualitative conditions.

No minimum amount is guaranteed. Annual variable compensation is calculated on a *prorata* basis for the year of the start of the term of office to the year of the end of the term of office.

It is based on several quantifiable and qualitative criteria, assessed separately, which take into account:

- the Group's overall performance (organic growth and operating margin) and/or the performance of the network to which the beneficiary belongs;
- achieving the personal objectives of the manager assessed *a posteriori* by taking into account the items of context in which the performance was achieved.

These parameters are determined in advance for each fiscal year and proposed by the Compensation Committee to the Supervisory Board for approval.

Detailed elements of annual variable compensation for the 2017 and 2018 fiscal years are explained below in Section 2.2.3.2 for the Chair of the Management Board and Sections 2.2.3.3 to 2.2.3.5 for the other current members of the Management Board.

VARIABLE LONG-TERM COMPENSATION

The share-based compensation program is meant to incentivize on a long-term basis. It is subject to stringent performance conditions to develop the loyalty of those holding key positions within the organization while encouraging executives over the long-term in a community of interests with Publicis Groupe SA shareholders (see Section 5.6 Note 28 to the consolidated financial statements).

Share award plan

Management Board members can benefit from two types of share-based compensation programs awarded every three years:

- Three-year long-term incentive plan, called "Management Board **LTIP**":

  Under this plan, Management Board members are awarded shares subject to the fulfillment of performance and continued presence conditions.

  Performance: acquisition of shares is subject to performance criteria that are measured following a three-year period, such that the total number of shares awarded depends on the growth and profitability objectives attained at the end of the period under review. The shares ultimately awarded in accordance with the level of achievement of these performance targets are deliverable subject to the fulfillment of the other conditions.

  Presence: acquisition of shares is also subject to the fulfillment of continued presence during the three-year vesting period.

- Three-year free share plan called "**LionLead**":

  Under this plan, Management Board members are awarded free shares, subject to the fulfillment of performance and presence conditions, as well as a commitment to personally investing in Publicis shares.

  Performance: acquisition of shares is subject to performance criteria that are measured following a three-year period, namely achieving – or exceeding – a target operating margin set in the annual budget, as well as achieving a certain rate of organic growth and an operating margin compared to a peer group of companies competing with Publicis. In addition, a portion of these shares is subject to market performance conditions: Publicis Groupe SA share price after the plan's final end closing in comparison with the price at grant date. The total number of shares delivered will depend on the achievement of all these criteria for the period under review.

  Presence: acquisition of shares is also subject to the fulfillment of continued presence during the three-year vesting period.

  Investment: the award of shares is also subject to maintaining an investment in the Company's shares.

The characteristics of these plans for Management Board members are as follows:

Type of plan		**LTIP**
Performance conditions	Organic growth rate of Publicis Groupe compared to a peer group	Operating margin of Publicis Groupe compared to a peer group
Type of performance conditions	Relative performance compared to peer group performance Omnicom, WPP, IPG, Publicis Groupe	
Weighting	50% of shares awarded	50% of shares awarded
Acquisition	• ≥ of the peer group average: 100% of the shares delivered • ≤ 80% of the peer group average: 0 • Between 80% and 100%: number of shares delivered is reduced by 5% for each 1% of performance recorded below 100%	• Highest margin compared to the peer group: 100% of the shares delivered • Margin in 2nd position: 50% • Margin in 3rd position: 15% • Margin in 4th position: 0
Performance period	Following a three-year period at the end of which performance is calculated	

Type of plan			LionLead
Performance conditions	Organic growth rate of Publicis Groupe compared to a peer group	Operating margin of Publicis Groupe compared to a peer group	Operating margin achieved in value terms (€ millions) as set out in the Publicis Groupe's budget
Type of performance conditions	Relative performance compared to peer group performance Omnicom, WPP, IPG, Publicis Groupe		Absolute internal performance
Weighting	25% of shares awarded	25% of shares awarded	50% of shares awarded
Acquisition	• ≥of the peer group average: 100% of the shares delivered • ≤ 80% of the peer group average: 0 • Between 80% and 100%: number of shares delivered is reduced by 5% for each 1% of performance recorded below 100%	• Highest margin compared to the peer group: 100% of the shares delivered • Margin in 2nd position: 50% • Margin in 3rd position: 15% • Margin in 4th position: 0	• = the set margin: 100% of the shares delivered • No shares will be delivered if the margin achieved is below €50 million or more compared to the target range • Between this threshold of -€50 million of the target and the margin set out in the budget: straight-line calculation of the number of shares delivered • If > than the target margin with a maximum performance ceiling of €150 million: performance shares for generating returns in excess of a set target are delivered
Performance period	Following a three-year period at the end of which performance is calculated		

STRINGENT CRITERIA

These criteria have been used by Publicis for several years. They are particularly stringent because they are based on a quantifiable assessment relating to performance (encouraging Publicis Groupe executives to deliver the best figures in the market) and on complete transparency, as the results are measured on the basis of public data for the most part. Publicis Groupe demonstrates both the demands and the reality of the expected performance.

The rate of achievement observed historically clearly shows the ambitious nature of our plans. The performance conditions applied are suitable and stringent, while allowing the plans to be a way to motivate and retain Publicis Groupe's executives.

As an illustration, the rates of achievement of performance conditions for plans awarded in 2013 demonstrate that grants are based on strict conditions and that they are consistent with shareholders' interests over the long-term.

Plan	2013-2015 LionLead2	Management Board LTIP 2013-2015
Percentage	50%	53.2%

STABILITY OF THE PERFORMANCE CONDITIONS

The Supervisory Board considers that consistency in the performance conditions is one of the factors for creating long-term value. This is why the performance criteria concerning organic revenue growth and the Group's operating margin have been put in place since 2003.

The third criterion relating to attaining the operational margin in value terms set out in the budget for each year of the plan has been added to the two historical criteria for the LionLead3 plan.

UNIQUENESS OF THE PERFORMANCE CONDITIONS

The same performance conditions have been used to date for all of the Group's long-term compensation programs, whether they relate to Management Board members or other executives. The aim is to ensure perfect cohesion among Publicis Groupe's entire management team.

VESTING PERIOD

In order to favor the retention of executives, no shares are acquired by the beneficiaries before the end of a continued presence condition in the Group, and subject to the performance conditions being satisfied. This vesting period is three years.

CONTINUED PRESENCE CONDITION

Except in the specific case of death, disability or retirement, or in exceptional circumstances explained by the Supervisory Board and made public, the acquisition of shares is subject to compliance with the continued presence condition for Management Board members until the end of the vesting period.

This condition may only be waived upon recommendation of the Supervisory Board after obtaining the opinion of the Compensation Committee.

MAXIMUM SHARE GRANT LEVEL

Share award plans to Management Board members are limited to 0.3% of the Company's share capital and this ceiling is far from being reached considering the actual level of shares acquired following the performance period. This same ceiling applies and is common to the 0.3% ceiling for stock options.

MANDATORY HOLDING

The Supervisory Board has decided that, in addition to the specific rules in the LTIP and LionLead plans, Management Board members must maintain ownership of 20% of the shares they were awarded in registered form throughout their term of office. In addition, in accordance with the Afep-Medef Corporate Governance Code, Management Board members undertake not to use hedging instruments on shares to be received or shares received but which are non-transferable.

GRANT FREQUENCY

Share compensation plans are awarded (or their conditions are set) after the publication of the net income for the previous fiscal year.

The LTIP 2016-2018 and LionLead3 plans were awarded in 2016 for a three-year period.

SPRINT TO THE FUTURE EXCEPTIONAL PLAN

On March 20, 2018, the Group announced a strategic transformation plan supported by ambitious financial targets for the next three years.

The Management Board proposed that about twenty key Group executives should be fully committed to the success of this transformation plan and decided, in this particular context, to grant performance shares on a one-off basis in respect of the 2018-2020 period, pursuant to the authorization granted by the General Shareholders' Meeting of May 25, 2016. The Supervisory Board, after recommendation from the Compensation Committee, approved this plan on March 7, 2018, and decided that the members of the Management Board also be eligible to this plan, and that their interests be aligned with those of the Company and its shareholders. Given that this one-off allocation is intended to complement the Group's three-year strategic plan, the final number of shares vested under this plan will be assessed and calculated for all beneficiaries at the end of the 2018-2020 period (corporate officers and executive managers) depending on actual performance levels. It is also stipulated that the beneficiaries shall forfeit their rights in the event of their departure before the delivery date, regardless of the reason.

Performance criteria and conditions applicable to this plan include the Company's consolidated organic growth rate and the consolidated operating margin achieved in 2020 and measured at the end of that financial year. It is worth noting that the targets set out below are presented before application of IFRS 15 (new accounting standards on revenue) impact is taken into account. These targets should therefore be adjusted in order to account for the application of this standard.

The allocation of shares under this plan is subject to conditions precedent, measured over the plan's three-year period, and minimum performance criteria, below which no shares will be allocated. Therefore, no share can be delivered if:

- the average annual organic growth rate is not equal at least 2.5% over the three years period, and the average annual operating margin over the three years is not at least equal to the 2020 target less 70 bps;
- the 2020 organic growth rate is less than 3.5% or the operating margin is not at least equal to the 2020 target less 30 bps.

To benefit from the delivery of the maximum number of shares, an organic revenue growth rate of 4% must be achieved in 2020, as well as an increase in the operating margin rate of 150 bps over the period, at the top of the range announced on March 20, 2018.

The grants to the members of the Management Board are included in the 2018 compensation package submitted for approval at the General Shareholders' Meeting as part of the *ex ante* vote.

Stock option plan

The Management Board reserves the right to grant stock options

These grants are limited to 0.3% of the Company's share capital. This same ceiling applies and is common to the 0.3% ceiling for free share plans.

SUPPLEMENTARY PENSION PLAN

The Group has chosen not to implement a supplementary pension plan for Board members who are under the French system.

COLLECTIVE HEALTH AND WELFARE INSURANCE AND SYSTEMS

Management Board members may benefit from collective health and welfare insurance based on applicable local regulations.

UNEMPLOYMENT INSURANCE FOR CORPORATE OFFICERS

Private insurance coverage under the French plan was offered to the members of the Management Board who might not be able to benefit from the compulsory unemployment insurance for employees.

EMPLOYMENT CONTRACT

With the exception of the Chair of the Management Board, the members of the Management Board may have an employment contract with a company of the Groupe.

The employment contract of the Chair of the Management Board was terminated when his nomination as Chair of the Management Board started.

SEVERANCE PAYMENT

The members of the Management Board may be entitled to severance payment in case of imposed departure, granted in accordance with current law and the Afep-Medef Corporate Governance Code. In line with said code, the cumulative amount of the severance payment and non-compete compensation may not exceed twenty-four months of total compensation (annual fixed and variable compensation).

Detailed elements of severance payments are explained below in Section 2.2.3.2 for the Chair of the Management Board and 2.2.3.3 to 2.2.3.5 for the other current members of the Management Board.

NON-COMPETE AGREEMENT

The members of the Management Board may be bound by a non-compete agreement and benefit from non-compete compensation in accordance with current legislation and the Afep-Medef Corporate Governance Code. The Supervisory Board reserves the right to forgo this commitment. In accordance with said code, the cumulative amount of the severance payment and non-compete compensation may not exceed twenty-four months of total compensation (annual fixed and variable compensation).

OTHER ELEMENTS

Management Board members may be entitled to benefits based on local regulations and compensation practices, such as the use of a Group company car.

Where a member of the Management Board has been hired from outside the Group, the Supervisory Board may decide to compensate the loss of benefits, in whole or in part, due to his or her leaving the former employer.

The quantified, specific components of the compensation of each member are detailed in the following sections.

MODIFICATION TO THE MANAGEMENT BOARD'S COMPOSITION

If a new Management Board is appointed or a new member joins the Management Board, the principles and criteria stipulated in the Management Board compensation policy above are applicable to them. The Supervisory Board, upon the recommendation of the Compensation Committee, will determine, within this framework depending on the specific situation of the person(s) concerned, the fixed and variable components of their compensation, as well as the parameters, objectives and criteria for the variable elements of their compensation.

2.2.3.2 Compensation and benefits of Arthur Sadoun, Chair of the Management Board since June 1, 2017

The compensation of Arthur Sadoun is set in accordance with the compensation policy described in Section 2.2.3.1.

A. Compensation and benefits of Arthur Sadoun for fiscal year 2017

The principles and criteria used to set the compensation of Arthur Sadoun beginning June 1, 2017 as Chair of the Management Board, in respect of the 2017 fiscal year, were approved by the General Shareholders' Meeting of May 31, 2017 in its seventeenth resolution.

ANNUAL FIXED COMPENSATION

The gross annual compensation of Arthur Sadoun as Chair of the Management Board of Publicis Groupe SA amounts to euro 1,000,000 per year.

STRUCTURE OF THE VARIABLE COMPENSATION

The Supervisory Board, upon the Compensation Committee's recommendation, decided, effective from June 1, 2017, that the variable part of his compensation will be at a maximum of a target amount of up to 200% of his fixed remuneration, will be based on the following criteria:

The variable compensation of Arthur Sadoun is based on quantitative financial and stock exchange performance criteria, essentially based on a comparison with the performance of the main competitors of Publicis Groupe (Omnicom, WPP and IPG) and on qualitative non-financial individual performance criteria considered as major for the development of the Group.

The compensation of the Chair of the Management Board is thus based on two types of criteria:

- **three quantitative criteria, including two financial criteria and a value creation criterion corresponding to 75% of the overall weight of the criteria**, taking into account the development of the growth and profitability of Publicis Groupe compared with that of a peer group consisting of the three other leading global communication groups (Omnicom, WPP and IPG):
  - the Group's organic revenue growth for 25%,
  - the operating margin (the highest in the market) for 25%,
  - and for 25%, the rate of change of the Group's net earnings per share (EPS), comparing the EPS of the fiscal year and the average EPS of the two previous fiscal years and the Total Shareholder Return (TSR) which reflects the variation of the share price of Publicis Groupe SA between the start and the end of the fiscal year under review (on the basis of the average of the first listed share prices recorded in the last 20 trading sessions in the year, compared to the average of the first listed share prices in the first 20 trading sessions of the year), increased by the amount of the dividends paid during the fiscal year. This criterion is directly linked to the interests of shareholders.

  These financial and stock exchange performance criteria were chosen by the Supervisory Board, following the proposal of the Compensation Committee, because they best express the quality of the Company's performance. Three of them are measured in comparison with the main competitors of Publicis Groupe, they encourage overperformance;
- **qualitative non-financial individual criteria corresponding to 25% of the overall weight of the criteria** in order to value the implementation of strategic actions which will yield long-term effects for the Group's development:
  - 8% for implementation of "The Power of One",
  - 9% for implementation of the Big Data tool,
  - 8% for creating and reinforcing the senior management team, Executive Committee and other groups of executives.

VARIABLE COMPENSATION TO BE PAID IN 2018 IN RESPECT OF 2017

After assessing the performance for each of the criteria indicated above during the 2017 fiscal year, the Supervisory Board set the variable part of Arthur Sadoun's gross compensation for the period from June 1 to December 31, 2017, at euro 729,499 gross, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 30, 2018 in its eleventh resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the facts and assessments stated hereafter and in the table below.

The "Power of One" model resulted in winning new accounts (including McDonalds, P&G UK, Southwest Airlines, Lionsgate and L'Oréal), the roll-out of Big Data tool progressed considerably with the successful launch of the People Cloud platform (identification and grouping of the Group's data tools and experts), and with our clients; finally, management teams were successfully formed at Group level with the creation of the Executive Committee and the Management Committee, as well as Solutions and countries, with management teams enhanced at all levels by a substantial number of visible new hires.

Criteria	Performance level	Amount of variable compensation
Organic growth	Objective not achieved	No compensation
Operating Margin	Objective 100% achieved	€292,000
Rate of change of diluted earnings per share for the Group	Objective 100% achieved	€145,833
Total Shareholder Return	Objective not achieved	No compensation
Non-financial individual criteria:		
Rollout of *The Power of One*	Objective 100% achieved	€93,333
Rollout of the Big *Data tool*	Objective 100% achieved	€105,000
Creation/consolidation of the senior management team, Executive Committee and other groups of executives	Objective 100% achieved	€93,333

VARIABLE LONG-TERM COMPENSATION

Arthur Sadoun was not granted a share-based compensation plan in respect of the 2017 fiscal year.

BENEFITS IN KIND

Arthur Sadoun benefits from the use of a taxi firm and get a refund for his taxis and entertainment expenses.

COLLECTIVE HEALTH AND WELFARE INSURANCE AND SYSTEMS

Arthur Sadoun benefits from the coverage applicable to executives at his level under the French system.

EMPLOYMENT CONTRACT

Arthur Sadoun's employment contract with Publicis Conseil dated December 5, 2006 was terminated when he was appointed chair of the Management Board.

SEVERANCE PAYMENT

The Supervisory Board has decided that in the event of a forced departure or due to a change in control or strategy and other than in the case of serious or gross misconduct, Arthur Sadoun would be entitled to severance payment.

The amount of the payment would be equal to one year of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest twenty four months of compensation.

He would also have the right to exercise the share subscription or share purchase options that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The payment of the severance amount would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Arthur Sadoun for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance amount may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

In the event of a forced departure or one related to a change in control or strategy, Arthur Sadoun will not be subject to a non-compete commitment or to non-solicitation.

In its twenty-first resolution, the General Shareholders' Meeting of May 31, 2017 approved this severance payment in respect of the commitments subject to the related-party agreements procedure.

NON-COMPETE AGREEMENT

The Supervisory Board decided to require from Arthur Sadoun in the event of his resignation a non-compete agreement and an agreement not to solicit personnel during the two years following the end of his Chairmanship of the Publicis Groupe SA Management Board.

In consideration of his observance of this non-compete agreement, Arthur Sadoun will receive monetary compensation (payable monthly in advance) in an amount equal to two years of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest 24 months of compensation.

The Supervisory Board may waive this clause.

Arthur Sadoun will not be held to a non-compete obligation in the event of a forced departure. In any case, Arthur Sadoun may not receive both a severance payment and an indemnity in respect of the non-compete agreement.

In its twenty-first resolution, the General Shareholders' Meeting of May 31, 2017 approved this non-compete indemnity in respect of the commitments subject to the related-party agreements procedure.

B. Compensation and benefits of Arthur Sadoun for fiscal year 2018

The amount of fixed compensation, the ceiling on variable compensation and the other components of Arthur Sadoun's compensation for 2018 remain unchanged from fiscal year 2017, except for the following elements.

VARIABLE COMPENSATION PAYABLE FOR THE 2018 FISCAL YEAR

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Arthur Sadoun for the 2018 fiscal year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Arthur Sadoun's compensation, for a target amount of up to 200% of his fixed compensation, and no more, would be based on the following for the 2018 fiscal year:

- **three quantitative criteria, including two financial criteria and a value creation criterion corresponding to 75% of the overall weight of the criteria**, taking into account development of the growth and profitability of Publicis Groupe compared with that of a peer group consisting of the three other leading global communication groups (Omnicom, WPP and IPG):
  - the Group's organic revenue growth for 25%,
  - the operating margin (the highest in the market) for 25%,
  - and for 25%, the rate of change of the Group's net income per diluted share (earnings per share or "EPS"), comparing the EPS of the fiscal year and the average EPS of the two previous fiscal years and the TSR (Total Shareholder Return) which reflects the variation of the share price of Publicis Groupe SA between the start and the end of the fiscal year under review (on the basis of the average of the first listed share prices recorded in the last 20 trading sessions in the year, compared to the average of the first listed share prices in the first 20 trading sessions of the year), increased by the amount of the dividends paid during the fiscal year. This criterion is directly linked to the interests of shareholders,

  These financial and stock exchange performance criteria were chosen by the Supervisory Board, following the proposal of the Compensation Committee, because they best express the quality of the Company's performance. Three out of them are measured in comparison with the main competitors of Publicis Groupe, they encourage over-performance. They remain unchanged from 2017;
- **non-financial individual criteria corresponding to 25% of the overall weight of the criteria** in order to value the implementation of strategic actions which will yield long-term effects on the Group's development:
  - implementation of the "Sprint to the Future 2020" plan for 9%,
  - dissemination of the "Power of One" throughout the entities for 8%, and
  - development of the Publicis People Cloud for 8%.

SPRINT TO THE FUTURE EXCEPTIONAL PLAN

It is the wish of the Supervisory Board that the Chair of the Management Board be rewarded in the same way as the other main executives according to the fulfillment of these ambitious objectives and his interests aligned with those of the company and its shareholders. In this respect, Arthur Sadoun will be eligible for the Sprint to the Future plan as it is described in Section 2.2.3.1. He may be entitled to a number of shares representing a maximum amount of euro 6 million at grant date. In order for this maximum to vest, the performance conditions set out in Section 2.2.3.1 must be met at the end of the three-year period of the plan (2018-2020). Should he depart before the delivery date, for whatever reason, the shares will not be delivered.

2.2.3.3 Compensation and benefits of Jean-Michel Etienne, member of the Management Board

The compensation of Jean-Michel Etienne is set in accordance with the compensation policy described in Section 2.2.3.1.

A. Compensation and benefits of Jean-Michel Etienne for fiscal year 2017

The principles and criteria used to set the compensation of Jean-Michel Etienne, member of the Management Board, in respect of the 2017 fiscal year, were approved by the General Shareholders' Meeting of May 31, 2017 in its eighteenth resolution.

ANNUAL FIXED COMPENSATION

The gross annual fixed compensation of Jean-Michel Etienne amounts to euro 840,000, unchanged from that paid in 2016.

The Supervisory Board had approved this compensation in line with:

- his experience and performance in his capacity as Financial Director;
- the widened scope of his duties following the acquisition of Sapient; and
- the market practices in compensation observed for this level of responsibility in France and for Publicis Groupe business sector abroad.

STRUCTURE OF THE VARIABLE COMPENSATION

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable part of Jean-Michel Etienne's compensation for 2017, of a target amount of up to 100% of his fixed remuneration, would be based on:

- **two quantitative criteria linked to the financial performance of the Group** in relation to the objectives, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **three quantitative and qualitative financial and non-financial individual criteria** (including two governed by precise quantitative objectives), for 60% of the variable part, each one being taken into account on an equal basis:
  - treasury management,
  - personnel costs, and
  - ERP rollout.

VARIABLE COMPENSATION TO BE PAID IN 2018 IN RESPECT OF 2017

After assessing the performance for each of the criteria indicated above during the 2017 fiscal year, the Supervisory Board set the variable part of Jean-Michel Etienne's compensation at euro 672,000 gross, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 30, 2018 in its twelfth resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the following facts and assessments:

Criteria	Performance level	Amount of variable compensation
Organic growth	Objective not achieved	No compensation
Operating Margin	Objective 100% achieved	€168,000
Managing cash and cash equivalents	Objective 100% achieved	€168,000
Employee expenses	Objective 100% achieved	€168,000
Non-financial individual criterion: ERP rollout	Objective 100% achieved	€168,000

VARIABLE LONG-TERM COMPENSATION

Jean-Michel Etienne was not granted a share-based compensation plan in respect of the 2017 fiscal year.

BENEFITS IN KIND

Jean-Michel Etienne benefits from the use of one of the company cars.

COLLECTIVE HEALTH AND WELFARE INSURANCE AND SYSTEMS

Jean-Michel Etienne benefits from the coverage applicable to executives of his level under the French system.

EMPLOYMENT CONTRACT

Jean-Michel Etienne continues to benefit from an employment contract with one of the Group's subsidiaries.

SEVERANCE PAYMENT

Following the renewal of the Management Board members' term of office effective from January 1, 2012, upon the Compensation Committee's proposal on March 6, 2012, the Supervisory Board reviewed the existing agreements with Jean-Michel Etienne to allow him to receive severance payment in the event he ceases to serve as member of the Management Board. These commitments were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 29, 2012.

The Supervisory Board meeting of March 12, 2015 revised these commitments to take into account recommendations of the Afep-Medef Corporate Governance Code. They were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 27, 2015. The current commitments to Jean-Michel Etienne provide that in the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Jean-Michel Etienne would be entitled to a termination benefit if this departure should occur before the normal term (September 15, 2018).

Provided that Jean-Michel Etienne does not continue to be employed by Publicis Groupe, the amount of the severance would be equal to one and a half years' total gross compensation (fixed compensation and target variable component). He would also have the right to exercise the share subscription or share purchase options that have been granted to him, and to retain the free shares already granted to him, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The payment of the severance amount would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Jean-Michel Etienne for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance amount may only be paid after the determination by the Supervisory Board that the performance condition had been achieved at the date on which his term as a member of the Management Board ended.

The General Shareholders' Meeting of May 27, 2015 approved this severance payment in respect of the commitments subject to the related-party agreements procedure.

B. Compensation and benefits of Jean-Michel Etienne for fiscal year 2018

The amount of fixed compensation, the ceiling on variable compensation and the other components of Jean-Michel Etienne's compensation for 2018 remain unchanged from fiscal year 2017, except for following elements.

VARIABLE COMPENSATION FOR THE 2018 FISCAL YEAR

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Jean-Michel Etienne for the 2018 fiscal year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Jean-Michel Etienne's compensation, for a target amount of up to 100% of his fixed compensation, and no more, would be based on the following for the 2018 fiscal year:

- **two quantitative criteria linked to the financial performance of the Group in relation to the objectives, unchanged from 2017**, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **four individual quantitative and qualitative financial and non-financial criteria** (including two governed by precise quantitative objectives), for 60% of the variable part, each one being taken into account on an equal basis:
  - management and execution of the savings plan,
  - implementation of the country model,
  - treasury management, and
  - personnel costs.

SPRINT TO THE FUTURE EXCEPTIONAL PLAN

It is the wish of the Supervisory Board that the members of the Management Board be rewarded in the same way as the other main executives according to the fulfillment of these ambitious objectives and their interests aligned with those of the company and its shareholders. In this respect, Jean-Michel Etienne will be eligible for the Sprint to the Future plan as it is described in Section 2.2.3.1. He may be entitled to a number of shares representing a maximum amount of euro 4 million at grant date. In order for this maximum to vest, the performance conditions set out in Section 2.2.3.1 must be met at the end of the three-year period of the plan (2018-2020). Should he depart before the delivery date, for whatever reason, the shares will not be delivered.

2.2.3.4. Compensation and benefits of Anne-Gabrielle Heilbronner, member of the Management Board

The compensation of Anne-Gabrielle Heilbronner is set in accordance with the compensation policy described in Section 2.2.3.1.

A. Compensation and benefits of Anne-Gabrielle Heilbronner for fiscal year 2017

The principles and criteria used to set the compensation of Anne-Gabrielle Heilbronner, member of the Management Board, in respect of the 2017 fiscal year, were approved by the General Shareholders' Meeting of May 31, 2017 in its nineteenth resolution.

ANNUAL FIXED COMPENSATION

The gross annual fixed compensation of Anne-Gabrielle Heilbronner was euro 600,000, unchanged from that paid in 2016.

The Supervisory Board, upon the Compensation Committee's recommendation, had approved this compensation in line with:

- the widened scope of Anne-Gabrielle Heilbronner's responsibilities as the Group's Secretary General, which include legal and corporate governance functions, human resources, internal audit, internal control and risk management, procurement, the complexity of which was increased following the acquisition of Sapient;
- her appointment as member of the Management Board of Publicis Groupe on September 15, 2014 and related increased duties, which have not to date been the subject of a compensation review;
- the market practices in compensation observed for this level of responsibility in France and for Publicis Groupe business sector abroad; and
- internal equity.

STRUCTURE OF THE VARIABLE COMPENSATION

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable part of her compensation for 2017, of a target amount of up to 100% of her fixed remuneration, would be based on:

- **two quantitative criteria linked to the financial performance of the Group** in relation to the objectives, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **four quantitative and qualitative non-financial individual criteria** consistent with her main areas of responsibility, for 60% of the variable part, each being taken into account on an equal basis:
  - human resources: training client teams on the Group's new positioning and improving talent management, especially as regards compensation, performance assessment, management tools, etc.,
  - internal controls and audits: developping tools and resources to reduce fraud and improve compliance,
  - legal: developing an awareness-raising program for managers to reduce litigation risks, and
  - procurement: introducing an aggressive procurement program to substantially improve the Group's performance (broaden the scope of central purchasing methods, improve control procedures, etc.).

Each of these criteria is subject to an assessment of the measurable elements, amongst which: number and cost of training programs, personnel cost control, achievement of audit plans, monitoring of recommendations, number and outcome of lawsuits, procurement savings and the number of global contracts signed.

VARIABLE COMPENSATION PAID IN 2018 IN RESPECT OF 2017

After assessing the performance for each of the criteria indicated above during the 2017 fiscal year, the Supervisory Board set the variable part of the Anne-Gabrielle Heilbronner's compensation at euro 480,000 gross, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 30, 2018 in its thirteenth resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the facts and assessments presented hereafter and in the table below.

The audit plan was exceeded and the follow-up on findings is improving each year; 2017 marked the successful attainment of IFACI certification.

Regarding legal matters, prevention work is being carried out in accordance with expectations and cases are being settled with a favorable financial outcome for the Group. With regard to procurement, more global contracts have been signed and savings have been made in line with targets. HR objectives have been achieved: training programs have been stepped up, key projects have been launched or completed (SIRH, LionAlert) and a number of key moves in securing the Group's future have been handled with success. Anne-Gabrielle Heilbronner took charge on new responsibilities with CSR and the Women's Forum, for which a new strategy has been defined and which is beginning to bear fruit.

Criteria	Performance level	Amount of variable compensation
Organic growth	Objective not achieved	No compensation
Operating Margin	Objective 100% achieved	€120,000
Non-financial individual criteria:		
human resources	Objective 100% achieved	€90,000
internal controls and audits	Objective 100% achieved	€90,000
legal	Objective 100% achieved	€90,000
procurement	Objective 100% achieved	€90,000

VARIABLE LONG-TERM COMPENSATION

Anne-Gabrielle Heilbronner was not granted a share-based compensation plan in respect of the 2017 fiscal year.

BENEFITS IN KIND

Anne-Gabrielle Heilbronner benefits from the use of one of the company cars.

COLLECTIVE HEALTH AND WELFARE INSURANCE AND SYSTEMS

Anne-Gabrielle Heilbronner benefits from the coverage applicable to executives of her level under the French system.

EMPLOYMENT CONTRACT

Anne-Gabrielle Heilbronner continues to benefit from an employment contract with one of the Group's subsidiaries.

SEVERANCE PAYMENT

Commitments entered into with Anne-Gabrielle Heilbronner related to severance payment in the event she ceases to serve as a member of the Management Board were approved by the Supervisory Board at its meeting on March 12, 2015. These commitments were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 27, 2015.

The current commitments to Anne-Gabrielle Heilbronner provide that in the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Anne-Gabrielle Heilbronner would be entitled to a termination benefit if this departure should occur before the normal term (September 15, 2018).

Provided that Anne-Gabrielle Heilbronner does not continue to be employed by Publicis Groupe, the amount of the severance would be equal to one year's total gross compensation (fixed compensation and target variable component). She would also have the right to exercise the share subscription or share purchase options that have been granted to her, and to retain the free shares already granted to her, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The payment of the severance amount would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Anne-Gabrielle Heilbronner for the three years prior to the termination of her duties is equal to at least 75% of her "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance amount may only be paid after the determination by the Supervisory Board that the performance condition had been achieved at the date on which her term as a member of the Management Board ended.

The General Shareholders' Meeting of May 27, 2015 approved this severance payment in respect of the commitments subject to the related-party agreements procedure.

NON-COMPETE AGREEMENT

Anne-Gabrielle Heilbronner is not subject to a non-compete agreement as member of the Management Board. She is subject to a non-compete clause in her employment contract concluded upon her arrival at Publicis Groupe in 2012, *i.e.* before her appointment as a member of the Management Board. This non-compete clause is valid for a maximum of two years and provides a maximum financial compensation to be paid equal to 30% of the gross salary, excluding variable elements. Publicis Groupe may waive this clause.

B. Compensation and benefits of Anne-Gabrielle Heilbronner for fiscal year 2018

The amount of fixed compensation, the ceiling on variable compensation and the other components of Anne-Gabrielle Heilbronner's compensation for 2018 remain unchanged from fiscal year 2017, except for the following elements.

VARIABLE COMPENSATION FOR THE 2018 FISCAL YEAR

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Anne-Gabrielle Heilbronner for the 2018 fiscal year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Anne-Gabrielle Heilbronner's compensation, for a target amount of up to 100% of her fixed compensation, and no more, would be based on the following for the 2018 fiscal year:

- **two quantitative criteria linked to the financial performance of the Group in relation to the objectives, unchnaged from 2017**, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **four individual quantitative and qualitative non-financial criteria** consistent with her main areas of responsibility, for 60% of the variable part, each being taken into account on an equal basis:
  - internal controls and audits: implementation of the audit plan and follow-up on recommendations,
  - procurement: implementation of purchasing savings plan,
  - human resources and CSR: strengthening of the CSR policy and of the Women's Forum; improvements in talent management in terms of compensation and management tools, and
  - legal: deployment of compliance programs, dispute management.

SPRINT TO THE FUTURE EXCEPTIONAL PLAN

It is the wish of the Supervisory Board that the members of the Management Board be rewarded in the same way as the other main executives according to the fulfillment of these ambitious objectives and their interests aligned with those of the company and its shareholders. In this respect, Anne-Gabrielle Heilbronner will be eligible for the Sprint to the Future plan as It is described in Section 2.2.3.1. She may be entitled to a number of shares representing a maximum amount of euro 4 million at grant date. In order for this maximum to vest, the performance conditions set out in Section 2.2.3.1 must be met at the end of the three-year period of the plan (2018-2020). Should she depart before the delivery date, for whatever reason, the shares will not be delivered.

2.2.3.5. Compensation and benefits of Steve King, member of the Management Board from June 1, 2017

The compensation of Steve King is set in accordance with the compensation policy described in Section 2.2.3.1.

A. Compensation and benefits of Steve King for fiscal year 2017

The principles and criteria used to set the compensation of Steve King, member of the Management Board, in respect of the 2017 fiscal year, were approved by the General Shareholders' Meeting of May 31, 2017 in its twentieth resolution.

ANNUAL FIXED COMPENSATION

At June 1, 2017, the gross annual compensation of Steve King was changed to £900,000, i.e. euro 1,027,665.

His compensation is determined and paid in pounds sterling. The translation into euros is carried out at the average rate of £1 = euro 1.14185 in 2017.

STRUCTURE OF THE VARIABLE COMPENSATION

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable part of his compensation from June 1, 2017, of a target amount of up to 160% of his fixed remuneration, would be based on:

- **two quantitative criteria linked to the financial performance of the Group** in relation to the objectives, for 20% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **three quantitative criteria linked to the financial performance of Publicis Media** in relation to the objectives, for 60% of the variable part, each being taken into account on an equal basis:
  - organic growth,
  - operating margin, and
  - cash generation;
- **two qualitative non-financial individual criteria** consistent with his main areas of responsibility, for 20% of the variable part, each being taken into account on an equal basis:
  - rollout of the Big Data tool, and
  - ramp-up of "The Power of One" strategy.

VARIABLE COMPENSATION PAID IN 2018 FOR FISCAL YEAR 2017

After assessing the performance for each of the criteria indicated above during the 2017 fiscal year, the Supervisory Board set the variable part of Steve King's compensation at £756,000 gross, i.e. euro 863,238, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 30, 2018 in its fourteenth resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the following facts and assessments:

Criteria	Performance level	Amount of variable compensation in euro(1)
Criteria linked to the financial performance of Publicis Groupe		
Organic growth	*Objective not achieved*	No compensation
Operating Margin	Objective 100% achieved	€95,915
Criteria linked to the financial performance of Publicis Media		
Organic growth	Objective 100% achieved	€191,831
Operating Margin	Objective 100% achieved	€191,831
Cash generation	Objective 100% achieved	€191,831
Non-financial individual criteria:		
Rollout of the Big *Data tool*	Objective 100% achieved	€95,915
Ramp-up of "The *Power of One" strategy*	Objective 100% achieved	€95,915

(1) Compensation determined and paid in pounds sterling. The translation into euros is carried out at the average rate of £1 = €1.14185.

VARIABLE LONG-TERM COMPENSATION

Steve King was not granted a share-based compensation plan in respect of the 2017 fiscal year.

BENEFITS IN KIND

Steve King benefits from the reimbursement of expenses related to his vehicle.

COLLECTIVE HEALTH AND WELFARE INSURANCE AND SYSTEMS

Steve King benefits from the coverage applicable to executives of his level in the United Kingdom.

EMPLOYMENT CONTRACT

Steve King benefits from an employment contract with one of the Group's United Kingdom subsidiaries.

SEVERANCE PAYMENT AND NON-COMPETE AGREEMENT

Steve King benefits from severance payment and the terms of the non-compete agreement as they appear in his employment contract with one of the Group's subsidiaries in the United Kingdom. No other compensation will be due.

In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Steve King would be entitled to this single severance payment.

Provided that Steve King does not continue to be employed by Publicis Groupe, the amount of the severance would be equal to one year's total gross compensation (fixed compensation and target variable component). He would also have the right to exercise the share subscription or share purchase options that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

This severance payment would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Steve King for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance amount may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

Steve King is subject to a non-compete obligation in his employment contract with a British subsidiary of the Group. This obligation does not give rise to financial consideration as permitted by applicable local regulations.

The Supervisory Board reaffirmed that this severance payment and any compensation for a non-compete obligation may not exceed 12 months of total compensation (fixed and targeted variable remuneration).

This severance payment and non-compete agreement were specifically subject to the approval of the General Shareholders' Meeting of May 31, 2017, in the twenty-second resolution.

PENSION PLANS

Steve King benefits from the British pension plan applicable to management positions of his level.

B Compensation and benefits of Steve King for fiscal year 2018

The amount of fixed compensation, the ceiling on variable compensation and the other components of Steve King's compensation for 2018 remain unchanged from fiscal year 2017, except for the following elements.

VARIABLE COMPENSATION FOR THE 2018 FISCAL YEAR

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Steve King for the 2018 fiscal year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Steve King's compensation, for a target amount of up to 160% of his fixed compensation, and no more, would be based on the following for the 2018 fiscal year:

- **two quantitative criteria linked to the financial performance of the Group in relation to the objectives, for 20% of the variable part, each being taken into account on an equal basis:**
  - organic growth, and
  - operating margin;
- **three quantitative criteria linked to the financial performance of Publicis Media in relation to the objectives, for 60% of the variable part, each being taken into account on an equal basis:**
  - organic growth,
  - operating margin, and
  - cash generation;

  These criteria are unchanged from 2017;
  - **two individual qualitative non-financial criteria consistent with his main areas of responsibility, for 20% of the variable part, each being taken into account on an equal basis:**
  - acceleration of Power of One within Publicis Media and in all of the entities, and
  - development of the People Cloud and training of teams able to manage it in the 10 main countries.

SPRINT TO THE FUTURE EXCEPTIONAL PLAN

It is the wish of the Supervisory Board that the members of the Management Board be rewarded in the same way as the other main executives according to the fulfillment of these ambitious objectives and their interests aligned with those of the company and its shareholders. In this respect, Steve King will be eligible for the Sprint to the Future plan as it is described in Section 2.2.3.1. He may be entitled to a number of shares representing a maximum amount of euro 5 million at grant date. In order for this maximum to vest, the performance conditions set out in Section 2.2.3.1 must be met at the end of the three-year period of the plan (2018-2020). Should he depart before the delivery date, for whatever reason, the shares will not be delivered.

2.2.4 Compensation summary table

2.2.4.1 AMF and Afep-Medef compensation tables

The 2009-16 position-recommendation of the AMF and the Afep-Medef Code of November 2016 proposes a standardized presentation of the compensation of executive corporate officers of companies whose securities are traded on a regulated market.

Table 1 (AMF nomenclature) compensation summary table in respect of the compensation due and the options and shares granted to each executive corporate officer (in euros)

	2017	2016
Management Board		
Maurice Lévy, Chair of the Management Board until May 31, 2017 (five months)		
Compensation due for the year[(1)]	1,041,667	2,500,000
Valuation of options granted during the year	-	-
Valuation of performance shares granted during the year	-	-
TOTAL	**1,041,667**	**2,500,000**
Arthur Sadoun, Chair of the Management Board since June 1, 2017 (seven months)		
Compensation due for the year[(1)]	1,312,833	-
Valuation of options granted during the year	-	-
Valuation of performance shares granted during the year	-	-
TOTAL	**1,312,833**	**-**
Steve King, member of the Management Board since June 1, 2017 (seven months)		
Compensation due for the fiscal year[(1)(2)]	1,462,709	-
Valuation of options granted during the year	-	-
Valuation of performance shares granted during the year	-	-
TOTAL	**1,462,709**	**-**
Jean-Michel Etienne, Executive Vice-President – Group Finance		
Compensation due for the fiscal year[(1)]	1,512,000	1,470,000
Valuation of options granted during the year	-	-
Valuation of performance shares granted during the year[(3)]	-	1,911,444
TOTAL	**1,512,000**	**3,381,444**
Anne-Gabrielle Heilbronner, Secretary General		
Compensation due for the fiscal year[(1)]	1,080,000	1,080,000
Valuation of options granted during the year	-	-
Valuation of performance shares granted during the year[(3)]	-	822,226
TOTAL	**1,080,000**	**1,902,226**

(1) See details in Table 2.
(2) Compensation determined and paid in pound sterling. The translation into euros was carried out at the average rate of £1 = €1.14185 in 2017.
(3) Annual maximum cumulative amount under the LionLead3 and LTIP 2016-2018 plans. Grants under the LionLead and LTIP plans for the Management Board are triennial, subject to continued employment and stringent performance conditions. As an illustration, the rates at which performance conditions were met under the preceding plans were around 50%. Two overall allocations of LTIP and LionLead each covering the fiscal years 2016, 2017, 2018.

Table 2 (AMF nomenclature) summary table of the compensation for each executive corporate officer (in euros)

In general, the compensation paid corresponds to the fixed compensation for the specified year and the variable portion corresponds to that of the previous year.

No exceptional compensation was paid to the corporate officers.

	2017 – Amounts:		2016 – Amounts:	
	due	**paid**	**due**	**paid**
Management Board				
Maurice Lévy, Chair of the Management Board until May 31, 2017				
Fixed compensation	1,041,667	1,041,667	-	-
Variable compensation	-	2,500,000	2,500,000	3,917,500
Benefits in kind(1)	-	-	-	-
TOTAL	**1,041,667**	**3,541,667**	**2,500,000**	**3,917,500**
Arthur Sadoun, Chair of the Management Board since June 1, 2017				
Fixed compensation	583,333	583,333	-	-
Variable compensation	729,499	-	-	-
Benefits in kind(1)	-	-	-	-
TOTAL	**1,312,832**	**583,333**	**-**	**-**
Steve King, member of the Management Board since June 1, 2017(4)				
Fixed compensation(2)	599,471	599,471	-	-
Variable compensation(2)	863,238	-	-	-
Supplementary pension plan	27,392	27,392		
Benefits in kind(1)	-	-	-	-
TOTAL(2)	**1,490,101**	**626,863**	**-**	**-**
Jean-Michel Etienne, Executive Vice-President – Group Finance				
Fixed compensation	840,000	840,000	840,000	840,000
Variable compensation	672,000	630,000	630,000	686,250
Benefits in kind(1)	-	-	-	-
TOTAL	**1,512,000**	**1,470,000**	**1,470,000**	**1,526,250**
Anne-Gabrielle Heilbronner, Secretary General				
Fixed compensation	600,000	600,000	600,000	600,000
Variable compensation	480,000	480,000	480,000	600,000
Benefits in kind(1)	-	-	-	-
TOTAL	**1,080,000**	**1,080,000**	**1,080,000**	**1,200,000**

(1) Benefits in kind relating to the use of a company-provided vehicle are not mentioned if they are for an immaterial amount.
(2) Compensation determined and paid in pounds sterling. The translation into euros was carried out at the average rate of £1 = €1.14185 in 2017.
(3) This amount does not include the compensation paid to Arthur Sadoun for his salaried duties at Publicis Conseil for the period from January 1 to May 31, 2017 (€555,000 of fixed compensation and €1,070,500 for his variable compensation).
(4) This amount does not include the compensation paid to Steve King for his salaried duties at ZenithOptimedia for the period from January 1 to May 31, 2017 (€667,982 of fixed compensation and €685,110 for his variable compensation).

Table 3 (AMF nomenclature) details of attendance fees (in euros)

	Attendance fees paid in 2017	Attendance fees paid in 2016
Supervisory Board		
Elisabeth Badinter, Chair until May 31, 2017	60,000	55,000
Maurice Lévy, Chair of the Board since June 1, 2017	-	-
Sophie Dulac	30,000	35,000
Simon Badinter	35,000	35,000
Claudine Bienaimé	100,000	105,000
Michel Cicurel	90,000	65,000
Hélène Ploix(1)	-	30,000
Amaury de Seze(2)	50,000	70,000
Henri Calixte Suaudeau(1)	-	25,000
Gérard Worms(1)	-	35,000
Véronique Morali	90,000	75,000
Marie-Josée Kravis	55,000	50,000
Marie-Claude Mayer	45,000	50,000
Jean Charest	75,000	50,000
Jerry Greenberg(3)	90,000	30,000
Thomas Glocer(4)	30,000	-
André Kudelski(4)	30,000	-
Pierre Pénicaud(5)	-	-
TOTAL	**780,000**	**710,000**

(1) End of term of office as a member of the Supervisory Board on May 27, 2015.
(2) End of term of office as a member of the Supervisory Board on May 25, 2016.
(3) Resigned on May 31, 2017.
(4) Start of term of office as a member of the Supervisory Board on May 25, 2016.
(5) Start of term of office as a member of the Supervisory Board on June 20, 2017.

Table 4 (AMF Nomenclature) stock options granted during the fiscal year to each executive corporate officer by the issuer and by any Group company

None, no stock options were granted in 2017.

Table 5 (AMF Nomenclature) stock options exercised during the fiscal year by each executive corporate officer (nominative list)

	Description and date of plan	Number of options exercised in 2017	Average exercise price *(in euros)*	Year granted
Management Board				
Maurice Lévy, Chair until May 31, 2017		No exercise		
Arthur Sadoun, Chair since June 1, 2017	LTIP II	25,036	31.31	2007
Steve King, Member since June 1, 2017		No exercise		
Jean-Michel Etienne		No exercise		
Anne-Gabrielle Heilbronner		No exercise		

Table 6 (AMF nomenclature) performance shares granted to each executive corporate officer

No grant was made to the members of the Management Board in 2017.

Table 7 (AMF nomenclature) performance shares vested for each executive corporate officer

	First plan		Second plan		Number of performance shares vested in 2017
	Description	Date	Description	Date	Total number
Management Board					
Maurice Lévy, Chair until May 31, 2017					
Arthur Sadoun, Chair since June 1, 2017	LTIP 2014[1]	03/20/2014			2,500
Steve King, member since June 1, 2017	LTIP 2013[1]	04/16/2013			3,582
Jean-Michel Etienne					
Anne-Gabrielle Heilbronner	LTIP 2014[1]	03/20/2014			1,500

(1) Granted prior to appointment as a member of the Management Board.

2

Table 8 (AMF nomenclature) history of share subscription options or share purchase options granted over the last ten years

	Stock option plans		
Date of authorization by the Extraordinary General Shareholders' Meeting (EGM)	**2007**	**Plans originally from Digitas[1]**	**2013 co-investment plan**
Date of the Board of Directors or Management Board's meeting	08/24/2007		04/30/2013
Total number of share subscription options (S) or of share purchase options (A) granted	1,574,400[2] A	3,199,756 A	5,949,305[2] S/A[3]
• of which corporate officers	-	-	198,687
• of which first ten beneficiary employees (excluding corporate officers)	258,000[2]	-	653,299[2]
Start date for exercise of the options	50% 2009[4] 50% 2010[4]	1/31/2007	04/30/2016[5] 04/30/2017
Expiry date	8/23/2017	2009 to 2017	04/30/2023
Subscription or purchase price in euros	31.31	2.47 to 58.58	52.76
Total adjusted number of share subscription or share purchase options granted as at 12/31/2016	1,574,400[2]	3,199,756	5,949,305[2]
Total number of shares subscribed or purchased as at 12/31/2016	(542,177)	(2,439,845)	(75,317)
Total number of canceled share subscription options or purchase options as at 12/31/2016	(920,804)	(759,911)	(3,760,255)
Number of share subscription options or share purchase options, remaining as at 12/31/2016	111,419	-	2,113,733

(1) Options granted under the Digitas option plans that existed when Digitas was acquired in January 2007 were converted into share purchase options of Publicis Groupe SA shares using the existing ratio of the purchase price established under the offer for Digitas stock (restated in euros) and the market value of Publicis Groupe SA shares on the date of the merger. The purchase price was adjusted as a result.
(2) Conditional options, the exercise of which is contingent on the achievement of objectives under the three-year plan. The achievement level of objectives in the 2006-2008 plan was measured in 2009.
(3) The Management Board may decide, before the beginning of the exercise period, to deliver existing shares when the options are exercised instead of delivering shares to be issued.
(4) Exercise period started in 2009, after determining levels at which the objectives were achieved and thus the number of exercisable options. Half of the total exercisable number could be exercised since this date, the other half as of 2010. Non-exercisable options were canceled.
(5) Concerns French employees.

Table 9 (AMF nomenclature) Share subscription options or share purchase options granted to the first ten employees (non-corporate officers) and options exercised by the latter

	Plan	**Number of options granted/ purchased**	**Weighted average price** *(in euros)*
Stock options granted between January 1 and December 31, 2017, by the issuer and by any company included in the scope of option allocation to their ten respective employees, whose number of options thus extended is the highest (overall information).	-	-	-
Stock options held from the issuer and the aforementioned companies, exercised between January 1, and December 31, 2017, by the respective ten employees of the issuer and these companies, who bought or subscribed to the greatest number of options (overall information).	LTIP II 2007	53,873	31.31
	2013 Co-investment plan purchase options	249,202	52.76
TOTAL		**303,075**	**41.21**

Table 10 (AMF nomenclature) history of shares granted over the last ten years

Date of authorization by the Extraordinary General Shareholders' Meeting (EGM)	Free share plans										
	2009[1] Employees in France	2009[2] Co-investment	Plan originally from Razorfish[3]	LTIP 2010	LTIP 2010-2012	2010[1] Employees in United States	LTIP 2011	2011[5] International employees	LTIP 2012	2013[5] International employees	LTIP 2013
Date of the Board of Directors or Management Board's meeting	05/20/2009	03/19/2009	12/01/2009	08/19/2010	09/22/2010	11/19/2010	04/19/2011	11/21/2011	04/17/2012	02/1/2013	04/16/2013
Total Number of free shares awarded	210,125	3,544,176	493,832	667,600	252,000	658,400	674,650	533,700	681,550[1]	320,475	636,550
• of which corporate officers	-	225,506	-	2,000	252,000	-	2,000	-	2,000	-	1,500
• of which first ten beneficiary employees (excluding corporate officers)	500	447,890	-	54,000	-	500	62,000	500	54,000	500	44,000
Delivery date	05/20/2011	3/19/2012[4] 03/19/2013	Between 01/01/2010 and 12/2018	08/19/2013[4] 08/19/2014	09/22/2013[4] 09/22/2014	12/01/2014	04/19/2014[8] 04/19/2015	12/01/2013[9] 12/01/2015	04/17/2015[8] 04/17/2016	02/01/2017	04/16/2016[8] 04/16/2017
Total number of free shares awarded adjusted at 12/31/2017	210,125	3,544,176	493,832	667,600	252,000	658,400	674,650	533,700	681,550	320,475	636,550
Total number of free shares delivered at 12/31/2017	(150,575)	(2,972,121)	(314,102)	(468,450)	(248,387)	(248,900)	(478,023)	(238,150)	(481,569)	(114,275)	236,826
Total number of free shares canceled at 12/31/2017	(59,550)	(572,055)	(179,730)	(199,150)	(3,613)	(409,500)	(196,627)	(295,550)	(199,981)	(206,200)	399,724
Number of free shares outstanding at 12/31/2017	-	-	-	-	-	-	-	-	-	-	-

(1) *This is the plan awarding 50 free shares to all of the Group's employees.*
(2) *Co-investment plan offered to 160 key Group managers, of whom 136 subscribed.*
(3) *Shares granted under the Microsoft option plans that existed when Razorfish was acquired in October 2009 were converted into purchase options on shares of Publicis Groupe using the existing ratio of the purchase share price established for Microsoft (restated in euros) and the market value of Publicis Groupe share on the date of the acquisition.*
(4) *Concerns French employees, who are subject to a two-year holding period.*
(5) *This is the plan awarding 50 free shares to all of the Group's employees.*
(6) *Co-investment plan offered to 200 key Group managers.*
(7) *Under the LTIP 2012 plan, 11,965 free shares were granted by the Management Board on July 16, 2012.*
(8) *Concerns French employees, who are subject to a two-year holding period.*
(9) *Concerns Italian and Spanish employees, who are, in addition, subject to a three-year holding period.*

Free share plans

2013 Co-investment plan[6]	LTIP 2013-2015	LTIP 2014	LTIP 2015	Sapient 2015 Plan [10]	LTIP 2016	Sapient 2016 Plan [11]	LTIP 2016-2018	LIonLead3 France	LIonLead3 International	LIonLead3 Dir/Dir	LTIP 2017	Sapient 2017 Plan [13]
04/30/2013	06/17/13	03/20/2014	04/17/2015	04/17/2015	06/23/16	04/15/2016	06/23/16	06/16/2016	06/16/2016	06/16/2016 06/23/19[12]	05/18/2017	06/15/2017
846,288	105,000	639,750	639,800	422,970	770,300	442,604	120,000	509,652	3,250,962	1,007,721	678,450	528,000
28,263	105,000	-	-	-	-	-	45,000	-	-	243,243	-	-
92,931	-	44,000	52,000	197,680	40,400	189,177	75,000	289,575	613,899	764,478	-	-
04/30/2016[8]	06/17/2016[8]	03/20/2017[8]	04/17/2018[8]	04/17/2016 [11]		04/15/2017						06/16/2018
04/30/2017	06/17/2017	03/20/2018	04/17/2019	04/17/2019	06/24/2019	04/15/2020	06/24/2019	06/17/2019	06/17/2020	06/24/2019	05/19/2020	06/16/2021
846,288	105,000	639,750	639,800	422,970	770,300	442,604	120,000	592,945	3,254,817	1,007,721	678,450	528,000
505,483	18,632	(32,481)	-	121,671	-	(110,587)	-	-	-	-	-	-
340,805	86,368	(394,411)	(375,955)	182,086	(452,800)	(97,255)-	-	(42,471)	(444,615)	(347,490)	(16,550)	(37,740)
-	-	212,858	263,845	119,213	317,500	234,762	120,000	550,474	2,810,202	660,231	661,900	490,260

(10) Sapient Plan 2015 consists of three different plans. Two of these plans are conditional upon continued employment only and, in the case of the first plan, give rise to the delivery of one quarter per year at each of the anniversary date at which the shares were granted (i.e. in April 2016, 2017, 2018 and 2019) and, in the case of the second plan, to the delivery of all shares awarded, at the end of a four-year period, i.e. in April 2019. The third plan, in addition to the condition of continued employment, is subject to performance criteria, such that the total number of shares delivered depends on the level of achievement of targets in respect of 2015, 2016 and 2017 years. The shares ultimately awarded based on the level of achievement of these performance targets will be delivered at the end of a three-year period, i.e. in April 2018.

(11) Sapient Plan 2016 consists of two different plans. One of these plans is conditional upon continued employment only and gives rise to the delivery of one quarter per year at each of the anniversary date at which the shares were granted (i.e. in April 2017, 2018, 2019 and 2020). The second plan, in addition to the condition of continued employment, is subject to performance criteria, such that the total number of shares delivered shall depend on the level of achievement of targets in respect of 2016, 2017 and 2018. The shares ultimately awarded in accordance with the level of achievement of these performance targets will be delivered at the end of a three-year period, i.e. in April 2019.

(12) Allocation granted on June 16, 2016 and submitted to the Supervisory Board for approval on June 23, 2016.

(13) Sapient Plan 2017 consists of two different plans. The first plan is conditional upon continued employment only and gives rise to the delivery of one-quarter per year at each of the anniversary date at which the shares were granted (i.e. in June 2018, 2019, 2020 and 2021). In addition to the condition of continued employment, the second plan is subject to performance criteria, such that the total number of shares delivered shall depend on the level of achievement of targets in respect of 2017, 2018 and 2019. The shares ultimately awarded in accordance with the level of achievement of these performance targets will be delivered at the end of a three-year period, i.e. in June 2020.

Table 11 (AMF nomenclature) Other information concerning the executive corporate officers

Executive corporate officers	Employment contract	Supplementary pension plan	Indemnities or benefits due or payable on cessation or change in functions	Indemnities under a non-compete clause
Management Board				
Maurice Lévy, Chair until May 31, 2017	No	No	No	Yes(1)
Arthur Sadoun, Chair since June 1, 2017	No	No	Yes(2)	Yes(5)
Steve King, member since June 1, 2017	Yes	Yes	Yes(3)	Yes(3)
Jean-Michel Etienne	Yes	No	Yes(4)	No
Anne-Gabrielle Heilbronner	Yes	No	Yes(5)	Yes(5)

(1) Maurice Lévy abandoned the non-compete clause he benefited from as Chair of the Management Board (see Section 2.2.1.2).
(2) See Section 2.2.3.2, "Compensation and benefits of Arthur Sadoun, Chair of the Management Board since June 1, 2017".
(3) See Section 2.2.3.5, "Compensation and benefits of Steve King, member of the Management Board from June 1, 2017".
(4) See Section 2.2.3.3, "Compensation and benefits of Jean-Michel Etienne, member of the Management Board".
(5) See Section 2.2.3.4, "Compensation and benefits of Anne-Gabrielle Heilbronner, member of the Management Board".

2.2.4.2 Elements of the compensation paid or awarded to corporate officers in respect of the 2017 fiscal year, and submitted to the Ordinary General Shareholders' Meeting for approval

In accordance with article L. 225-100 II of the French Commercial Code, the following elements of compensation paid or awarded in respect of the 2017 fiscal year to executive corporate officers of the Company are subject to the shareholder approval:

- fixed compensation;
- variable compensation;
- attendance fees;
- exceptional compensation;
- free share plan;
- granting of options and/or performance shares;
- indemnities when taking or leaving a function;
- Non-compete agreement;
- supplementary pension plan;
- collective health and welfare insurance and systems;
- any elements of compensation granted for the office held; and
- other benefits.

The eighth to fourteenth resolutions submitted to a vote by shareholders at the General Shareholders' Meeting aim to obtain their approval on the elements of compensation and benefits paid or awarded with respect to the 2017 fiscal year to the Company's corporate officers, Elisabeth Badinter, Chair of the Supervisory Board until May 31, 2017, Maurice Lévy, Chair of the Management Board until May 31, 2017, Maurice Lévy, Chair of the Supervisory Board from June 1, 2017, Arthur Sadoun, Chair of the Management Board since June 1, 2017, Steve King, member of the Management Board since June 1, 2017, Jean-Michel Etienne, and Anne-Gabrielle Heilbronner, members of the Management Board.

Summary table of elements of compensation for Elisabeth Badinter, Chair of the Supervisory Board until May 31, 2017

In the eighth resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded with respect of the 2017 fiscal year to Elisabeth Badinter, Chair of the Supervisory Board until May 31, 2017:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	100,000 (i.e. 5/12 of 240,000)	This compensation has remained unchanged since 2012.
Variable compensation	N/A	N/A
Attendance fees	60,000	Payment resulting from her participation in Supervisory Board meetings, Nominating Committee meetings where she serves as Chair and the Strategy and Risk Committee of which she is a member.
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	N/A	N/A
Collective health and welfare insurance and systems	N/A	N/A
Other benefits	N/A	N/A

Summary table of the elements of compensation of Maurice Lévy, Chair of the Management Board until May 31, 2017

In the ninth resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded with respect of the 2017 fiscal year to Maurice Lévy, Chair of the Management Board until May 31, 2017:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	1,041,667	Since his term as Chair of the Management Board ended on May 31, 2017, the Supervisory Board found it impossible to measure the Group's performance for only the first five months of 2017. The Supervisory Board of Publicis Groupe SA therefore decided to extend the amount of the compensation obtained for fiscal year 2016 and *to prorate* it over 2017.
Variable compensation	N/A	N/A
Attendance fees	N/A	N/A
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	N/A	N/A
Collective health and welfare insurance and systems	3,477	This is the employer's contribution to the collective health and welfare insurance.
Other benefits	N/A	N/A

Summary table of the elements of compensation of Maurice Lévy, Chair of the Supervisory Board since June 1, 2017

In the tenth resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded with respect of the 2017 fiscal year to Maurice Lévy, Chair of the Supervisory Board since June 1, 2017:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	1,633,333 (i.e. 7/12 of 2,800,000)	N/A
Variable compensation	N/A	N/A
Attendance fees	N/A	N/A
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	N/A	N/A
Collective health and welfare insurance and systems	3,477	This is the employer's contribution to the collective health and welfare insurance.
Other benefits	N/A	N/A

Summary table of the elements of compensation of Arthur Sadoun, Chair of the Management Board since June 1, 2017

In the eleventh resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded with respect of the 2017 fiscal year to Arthur Sadoun, Chair of the Management Board since June 1, 2017:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	583,333 (i.e. 7/12 of 1,000,000)	N/A
Variable compensation	729,499	This amount is determined by the assessment of the performance on the financial, stock market and non-financial individual criteria, presented in Section 2.2.3.2.
Attendance fees	N/A	N/A
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	N/A	N/A
Collective health and welfare insurance and systems	4,746	This is the employer's contribution to the collective health and welfare insurance.
Other benefits	N/A	N/A

Summary table for the elements of compensation of Jean-Michel Etienne, member of the Management Board

In the twelfth resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded in respect of the 2017 fiscal year to Jean-Michel Etienne, member of the Management Board:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	840,000	N/A
Variable compensation	672,000	This amount is determined by the assessment of the performance on the financial and non-financial individual criteria, presented in Section 2.2.3.3.
Attendance fees	N/A	N/A
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	N/A	N/A
Collective health and welfare insurance and systems	4,746	This is the employer's contribution to the collective health and welfare insurance.
Other benefits	N/A	N/A

Summary table of elements of compensation for Anne-Gabrielle Heilbronner, member of the Management Board

In the thirteenth resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded with respect to the 2017 fiscal year to Anne-Gabrielle Heilbronner, member of the Management Board:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	600,000	N/A
Variable compensation	480,000	This amount is determined by the assessment of the financial performance and on non-financial individual criteria, presented in Section 2.2.3.4.
Attendance fees	N/A	N/A
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	N/A	N/A
Collective health and welfare insurance and systems	4,746	This is the employer's contribution to the collective health and welfare insurance.
Other benefits	N/A	N/A

Summary table of the elements of compensation of Steve King, member of the Management Board since June 1, 2017

In the fourteenth resolution, the General Shareholders' Meeting of May 30, 2018 will be asked to approve the following elements of compensation paid or awarded with respect of the 2017 fiscal year to Steve King, member of the Management Board since June 1, 2017[(1)]:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	599,471 (i.e., 7/12 of 1,027,665)	N/A
Variable compensation	863,238	This amount is determined by the assessment of the performance on the financial and non-financial individual criteria, presented in Section 2.2.3.5.
Attendance fees	N/A	N/A
Exceptional compensation	N/A	N/A
Options and/or performance shares grants	N/A	N/A
Compensation upon nomination to or ceasing a function	N/A	N/A
Supplementary pension plan	27,392	N/A
Collective health and welfare insurance and systems	N/A	N/A
Other benefits	N/A	N/A

(1) Compensation determined and paid in pounds sterling. The translation into euros was carried out at the average rate of £1 = €1.14185 in 2017.

2.2.5 Conventions and regulated commitments

On March 17, 2008, the Supervisory Board amended the existing contractual commitments relating to compensation, indemnities and benefits that might be due to members of the Management Board upon the termination of their terms of office and duties, mainly to comply with Law no. 2007-1223 of August 21, 2007 (the "TEPA Law"). The Statutory Auditors were informed of the provisions adopted or authorized by the Supervisory Board and, as required by the TEPA Law, the changes were submitted to the General Shareholders' Meeting of June 3, 2008, where they were approved.

Following the renewal of the Management Board members' terms of office as of January 1, 2012, the Supervisory Board confirmed the existing commitments (while specifying the potential entitlements to free shares) towards Kevin Roberts, Jack Klues and Jean-Yves Naouri on March 6, 2012, and revised the existing agreements with Jean-Michel Etienne. The Statutory Auditors were informed of the provisions renewed or adopted by the Supervisory Board as these are considered related-party agreements and, as required by law, the changes were subject to a vote at the General Shareholders' Meeting on May 29, 2012, where they were approved.

The Supervisory Board meeting held on September 15, 2014 terminated the role of Jean-Yves Naouri as a member of the Management Board and appointed a new Management Board consisting of Maurice Lévy, Chair, Anne-Gabrielle Heilbronner, Jean-Michel Etienne and Kevin Roberts. On March 12, 2015, on proposal from the Compensation Committee, the Supervisory Board confirmed the current commitments to Jean-Michel Etienne and Kevin Roberts, in terms of end-of-term indemnities, by adapting the terms of these commitments to the recommendations of the Afep-Medef Code and authorized, for Anne-Gabrielle Heilbronner, the conclusion of a commitment for the payment of indemnities in the event of a termination of her functions as a member of the Management Board. These commitments were notified to the Statutory Auditors as related-party agreements. They were approved by the General Shareholders' Meeting of May 27, 2015. It is stated that Kevin Robert's term of office as member of the Management Board ended on September 1, 2016.

Within the framework of the appointments, taking effect on June 1, 2017, of Arthur Sadoun, as Chair of the Management Board, and Steve King, as member of the Management Board, the Supervisory Board meeting of March 1, 2017 authorized or confirmed, on the recommendation of the Compensation Committee, commitments relating to a severance payment and compensation linked to a non-compete agreement, commitments which could be paid to them under certain circumstances and conditions. These commitments were notified to the Statutory Auditors as related-party agreements. They were approved by the General Shareholders' Meeting of May 31, 2017.

The non-compete commitment benefiting Maurice Lévy, Chair of the Management Board until May 31, 2017, authorized by the Supervisory Board meeting of March 17, 2008 and approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of June 3, 2008, was not effective in 2017 and has been null and void since June 1, 2017.

The Supervisory Board meeting of November 29, 2017 carried out a review of agreements and commitments concluded and authorized during previous financial years and the last financial year.

These agreements are discussed in detail in Section 2.2.2 of the Registration Document. These agreements are also covered in the special Statutory Auditors' report on regulated commitments and agreements (see Section 2.4).

The information related to the agreements referred to in article L. 225-86 of the French Commercial Code and signed by the Company can be found in the Company's 2016, 2015 and 2014 Registration Documents:

- 2016: document filed with the AMF on May 9, 2017, (under no. D.17-0496), on page 102;
- 2015: document filed with the AMF on April 4, 2016, (under no. D.16-0268), on page 82;
- 2014: document filed with the AMF on April 8, 2015, (under no. D.15-0298), on page 80.

2.2.6 Share ownership

On December 31, 2017, no members of the Management Board and the Supervisory Board owned more than 1% of the Company's shares, with the exception of Elisabeth Badinter and her children (7.24%), and Maurice Lévy, who owns directly or indirectly 4,595,942 shares (1.99% of the Company's capital) including 2,436,298 shares owned through non-commercial companies belonging to Maurice Lévy and his family.

As of December 31, 2017, the members of the Management Board and the Supervisory Board (with the exception of Elisabeth Badinter and her children) directly and indirectly owned 6,615,139 shares, or 2.87% of the share capital of the Company, including 1.99% controlled by Maurice Lévy.

As of December 31, 2017, the members of the Management Board also owned 27,916 stock options, all of which are exercisable. The average weighted exercise price of the options is euro 52.76 per share and the expiry date of these options is 2023 (see Note 28 to the consolidated financial statements in Section 5.6).

The following table shows the interest of each corporate officer in the share capital of the Company at December 31, 2017 by the number of shares and voting rights, as well as the number of shares that each corporate officer has the right to acquire through the exercise of new stock subscription options and existing stock purchase options.

Shareholding and stock options of the corporate officers as of December 31, 2017

Corporate officer	Number of Publicis Groupe SA shares	Voting rights in Publicis Groupe SA[1]	Number of shares that may be acquired through the exercise of share subscription options	Shares that may be acquired through the exercise of share purchase options		Weighted average price *(in euros)*
				Total Number	Of which conditional options[2]	
Member of the Management Board						
Arthur Sadoun	50,295	61,166				
Steve King	15,356	15,356				
Anne-Gabrielle Heilbronner	7,485	7,807				
Jean-Michel Etienne	95,464	168,324		27,916	27,916	52.76
Total Management Board	**168,600**	**252,653**		**27,916**	**27,916**	**52.76**
Member of the Supervisory Board						
Maurice Lévy[3]	4, 595,942	9,103,197				
Elisabeth Badinter[4]	16,700,967	33,401,934				
Sophie Dulac	1,749,460	3,088,920				
Claudine Bienaimé	83,900	147,800				
Simon Badinter[5]	1,259	1,759				
Michel Cicurel	1,017	2,034				
Jean Charest	1,300	2,600				
Marie-Josée Kravis	500	500				
Véronique Morali	500	1,000				
Marie-Claude Mayer	12,920	24,944				
André Kudelski	500	500				
Thomas H. Glocer	500	500				
Pierre Pénicaud[6]	-	-				
Total Supervisory Board	**23,148,765**	**45,775,688**				

(1) Shows the impact of possible double voting rights.
(2) The conditions were taken into account to determine the final number of options definitively granted.
(3) Maurice Lévy directly owns 2,159,644 shares, and indirectly owns 2,436,298 shares of the Company through non-commercial companies, representing a total of 9,103,197 voting rights.
(4) Elisabeth Badinter fully owns 5,834,820 shares (representing 2.53% of the share capital and 4.63% of the voting rights) and has the right to income for 10,866,147 shares with her children having the bare owner shares (representing 4.71% of the share capital and 8.63% of voting rights).
(5) Excluding the 3,622,049 bare owner shares held by Simon Badinter.
(6) Pierre Pénicaud is Supervisory Board member representing employees.

Note: bylaws require members of the Supervisory Board to hold at least 500 shares. However, members representing employees are not obliged to hold a minimum number of shares during their term of office (article 13 of the Company bylaws).

2.2.7 Transactions performed on Publicis Groupe securities by corporate officers and persons related to them

The transactions performed by the corporate officers and the persons mentioned in article L. 621-18-2 of the French Monetary and Financial Code concerning Company stock during the financial year 2017 are as follows:

Name and Surname	Position	Description of the financial instrument	Type of transaction	Number of transactions	Amount of the transactions *(in euros)*
Arthur Sadoun	Chair of the Management Board	Shares	Exercise of stock options	1	783,877
Anne-Gabrielle Heilbronner	Member of the Management Board	Shares	Disposal	1	96,300
Claudine Bienaimé	Member of the Supervisory Board	Shares	Disposal	1	338,831

2.3 RELATED-PARTY TRANSACTIONS

The operations below summarize related-party transactions in 2015, 2016 and 2017.

2.3.1 Terms and conditions of financial transactions carried out with related parties

Michel Cicurel, member of the Supervisory Board of Publicis Groupe SA, was a member of the Board of Directors of Société Générale up to May 18, 2016, a financial institution with which Publicis Groupe SA conducts business. In 2015, a syndicated loan of euro 2,000 million was signed on July 22 with a syndicate of 19 banks including Société Générale which participated up to euro 135 million and a bilateral short-term credit line of euro 45 million was renewed. It is specified that the credit agreements signed with Société Générale subsequent to the term of office of Michel Cicurel in May 2016 are no longer referenced in this section.

In addition on March 17, 2015, Elisabeth Badinter, Chair of the Publicis Groupe SA Supervisory Board, with her family group, sold 2,406,873 Publicis Groupe SA shares to the Company for a total of euro 175,775,861, *i.e.* euro 73.03 per share, representing a 2% discount to the weighted average share price for the five trading days preceding this date and a 4.5% discount to the closing share price on March 16, 2015.

On June 16, 2016, Médias et Régies Europe, a wholly-owned subsidiary of Publicis Groupe SA, sold 56.67% of the capital and voting rights of the Mediavision et Jean Mineur Company. 52% were acquired by the B.D.C. company, wholly-owned by Benjamin Badinter, son of Elisabeth Badinter (see Section 4.6 Note 29 to the consolidated financial statements of the 2016 Registration Document, the price was subject to review by an independent expert). Following this transaction, Multi Market Services France Holdings (wholly-owned subsidiary of Publicis Groupe SA, that had absorbed Médias et Régies Europe as part of a merger-takeover transaction on December 26, 2016) holds 10% of the capital and voting rights of Mediavision et Jean Mineur.

2.3.2 Related-party transactions

During 2017, the following transactions were carried out by Publicis Groupe with related parties:

	Revenue with related parties
Joint venture constituted between MSL France and Les Échos Solutions(1)	8

During the previous three financial years, the following transactions were carried out by Publicis Groupe with related parties:

	Revenue with related parties Year 2016
Joint venture constituted between MSL France and Les Échos Solutions(1)	7

No operation carried out during the 2015 financial year.

The outstanding amounts with related parties in the balance sheet as at December 31, 2017 were as follows (in euro millions):

	Receivables/Loans with related parties	Liabilities to related parties
OnPoint Consulting, Inc.(2)	7	-
Zag Limited(3)	5	-
Étoile Restauration SAS(4)	1	-

(1) Entity 50% owned by Publicis Groupe, to organize the "Viva Technology" event.
(2) Entity wholly-owned by Publicis Groupe.
(3) Entity 36.75% owned by Publicis Groupe.
(4) Entity 49% owned by Publicis Groupe.

2.4 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

General Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2017

To the Annual General Meeting of Publicis Groupe SA,

In our capacity as statutory auditors of your Company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement as well as the reasons justifying why they benefit the Company. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R. 225-58 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-58 of the French Commercial Code (*Code de commerce*) concerning the implementation, during the year, of the agreements and commitments previously approved by the General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted to the approval of the General Shareholders' Meeting

We have been informed of no agreements and commitments authorized and concluded during the last financial year and requiring the approval of the General Shareholders' Meeting by virtue of article L. 225-86 of the French Commercial Code (*Code de commerce*).

Agreements and commitments previously approved by the General Shareholders' Meeting

Agreements and commitments approved in previous financial years

a) Which have been pursued during the last financial year

We have not been informed of any agreements or commitments approved in previous financial years and which remained current during the last financial year.

b) Which gave rise to no transactions during the last financial year

We have also been informed of the following agreements and commitments approved in previous years by the General Shareholders' Meeting, which gave rise to no transactions during the last financial year.

Non-compete agreement for the benefit of Mr. Maurice Lévy, Chair of the Management Board until May 31, 2017

The General Shareholders' Meeting of June 3, 2008 approved the signature of a non-compete agreement with the Chair of the Management Board, Mr. Maurice Lévy, which forbade him from working in any capacity whatsoever, for three years following the termination of his term, with any company operating in the field of advertising, and more generally with a competitor of Publicis, and from investing in a competitor of Publicis.

In consideration for this commitment, Mr. Maurice Lévy was to receive a sum equal to 18 months of his total gross compensation (fixed salary and maximum variable compensation as defined in 2008). This sum would have been paid to him in equal monthly payments over the period covered by the non-compete clause. The payments would have to be returned should Mr. Maurice Lévy have failed to comply with the commitment.

The non-compete agreement in favor of Mr. Maurice Lévy, Chair of the Management Board until May 31, 2017, did not produce any effects in 2017 and became null and void as of June 1, 2017.

Severance payment for Mr. Jean-Michel Etienne, Member of the Management Board

The Supervisory Board of March 12, 2015 amended the commitments with Mr. Jean-Michel Etienne regarding the severance payment by adapting the terms of this commitment to the recommendations of the French Afep-Medef Corporate Governance Code.

The current commitments state that in the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Jean-Michel Etienne would be entitled to a severance payment if this departure were to occur before the normal term (September 15, 2018)

Providing that Mr. Jean-Michel Etienne does not continue to be employed by Publicis Groupe, the amount of the severance payment would be equal to one and a half year's total gross compensation (fixed compensation and target variable component). He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to him, and to retain the bonus shares already granted to him, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The severance payment would be subject to performance conditions: the severance payment would only be due in full if the average annual amount of the bonus acquired by Mr. Jean-Michel Etienne for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefit will be due. If the average annual amount is between 25% and 75% of the "target bonus", payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

Severance payment for Ms. Anne-Gabrielle Heilbronner, Member of the Management Board

The Supervisory Board of March 12, 2015 authorized the signing of a commitment for the payment of compensation in favor of Ms. Anne-Gabrielle Heilbronner in the event of a termination of her functions as member of the Management Board.

The current commitments state that in the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Ms. Anne-Gabrielle Heilbronner would be entitled to a severance payment if this departure should occur before the normal term (September 15, 2018).

Providing that Ms. Anne-Gabrielle Heilbronner does not continue to be employed by Publicis Groupe, the amount of the payment would be equal to one year of total gross compensation (fixed compensation and target variable component). She would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to her, and to retain the bonus shares already granted to her, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The severance payment would only be due in its full amount if the average annual amount of the bonus acquired by Ms. Anne-Gabrielle Heilbronner for the three years prior to the termination of her duties is equal to at least 75% of her "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

Agreements and commitments approved during the last financial year

We have also been informed of the following agreements and commitments approved by the General Shareholders' Meeting of May 31, 2017, and which remained current during the last financial year, but which gave rise to no transactions during the last financial year.

Severance payment and non-compete agreement in favour of Mr. Arthur Sadoun, Chairman of the Management Board

The Supervisory Board of March 1, 2017 authorized the signing of a commitment in favor of Mr. Arthur Sadoun, as part of his appointment as Chairman of the Management Board, which became effective on June 1, 2017, enabling him to benefit, under certain circumstances and conditions, from a severance payment and from compensation relating to a non-compete agreement, the terms of which are described below.

In the event of a forced departure or due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Arthur Sadoun would be entitled to a severance payment.

The amount of the payment would be equal to one year of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest 24 months of compensation. He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

This payment would be subject to a performance condition: the severance payment would only be due in its full amount if the average annual amount of the bonus acquired by Mr. Arthur Sadoun for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payment and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

The Supervisory Board held on March 1, 2017 also authorized for Mr. Arthur Sadoun the signing of a non-compete agreement and an agreement not to solicit personnel during the two years following the end of his Chairmanship of the Publicis Groupe SA Management Board. In consideration of his observance of this non-compete agreement, Mr. Sadoun will receive monetary compensation (payable monthly in advance) in an amount equal to two years of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest 24 months of compensation

Arthur Sadoun will not be held to a non-compete obligation in the event of a forced departure.

Severance payment and non-compete commitment in favour of Mr. Steve King, Member of the Management Board

The Supervisory Board of March 1, 2017 confirmed that Mr. Steve King, as part of his appointment as Member of the Management Board effective on June 1, 2017, would continue to benefit from severance payment and a non-compete commitment as provided for in his employment contract with one of the Group's subsidiaries in the United Kingdom, the terms of which are described below.

In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Steve King would be entitled to this single severance payment.

Provided that Steve King does not continue to be employed by Publicis Groupe, the amount of the severance payment would be equal to one year of total gross compensation (fixed compensation and target variable component). He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

This severance payment would be subject to a performance condition. The severance payment would only be due in its full amount if the average annual amount of the bonus acquired by Mr. Steve King for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefit will be due. If the average annual amount is between 25% and 75% of the "target bonus", payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

Mr. Steve King is also subject to a non-compete commitment as provided for in his employment contract with one of the Group's subsidiaries in the United Kingdom.

The Supervisory Board reaffirmed that this severance payment and any compensation for a non-compete obligation may not exceed 12 months of total compensation (fixed and targeted variable remuneration).

Prepared at La Défense and Courbevoie, on April 16, 2018

The statutory auditors

ERNST & YOUNG et Autres		MAZARS	
Vincent de La Bachelerie	**Valérie Desclève**	**Philippe Castagnac**	**Ariane Mignon**

CHAPTER

3

Corporate Social Responsibility – Non-financial performance

Corporate Social Responsibility (CSR), Diversity and the Women's' Forum have been placed under the responsibility of Anne-Gabrielle Heilbronner, Secretary General and member of the Management Board; non-financial issues will henceforth play a new role in Group strategy.

The scope of CSR activities is becoming more complex both with regard to regulatory developments in France and abroad, and the global maturity of all stakeholders in relation to these issues. 2017 was devoted to refocusing on previously defined priorities, with the aim of stepping up ongoing efforts.

This section of the Registration Document constitutes the basis for non-financial reporting. It should be read in conjunction with other sections of the document that give information on subjects such as the Group's strategy and business model (Section 1.4), risk factors (Section 1.8), governance (Section 2.1) and its consolidated financial statements (Section 5). This section describes various actions carried out and initiatives implemented to address social, societal, environment and ethical issues (human rights and the fight against corruption). More examples are featured on the Group's corporate website www.publicisgroupe.com (CSR Section). A dynamic "CSR Smart Data" table, essentially designed for CSR experts, is also available on the corporate site.

CSR governance and the working methods and processes in place for CSR reporting are detailed in Section 2.4.6. In compliance with French legislation, the statutory auditors' statement is at the end of this section.

Overview of the major CSR challenges for Publicis Groupe

The Group's CSR approach is focused on the priorities related to the three key stakeholder families – namely talents, clients and society – and their challenges. These may be summarized as follows:

- Talents – with a central approach focused on Diversity. At the day-to-day management level, this implies implementing an inclusive recruitment policy, applying a "Zero Tolerance" policy in terms of non-discrimination and the fight against inappropriate behavior, pursuing ongoing efforts to achieve equal pay and place more women in high responsibility positions, notably in the Group's creative and technological teams.

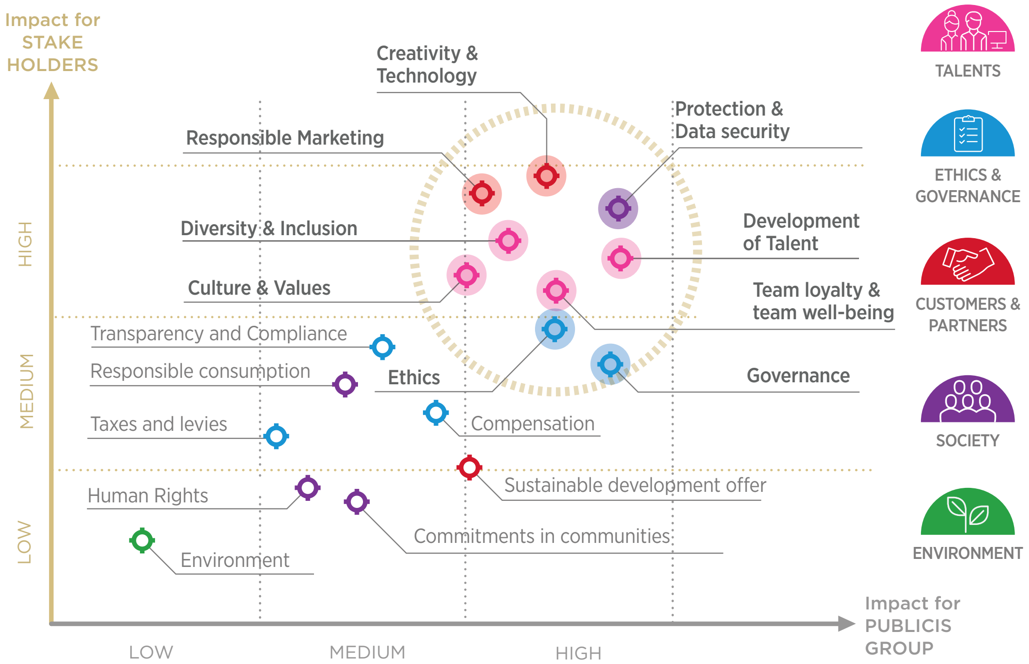
  To support its teams across all business lines and address all ongoing technological transformations, the Group is upgrading its training modules so that they can be more accessible to a larger audience;
- Clients. Creative and technological innovation is at the heart of the projects developed by the Group in alignment with a set of criteria drawn up in accordance with responsible marketing. This covers several different aspects, such as evolving representations and stereotypes in communications, or questions related to targeting Internet or mobile users so as to be unintrusive and ensure that the free will of the citizen-consumer is always preserved.

  Moreover, in 2017, the Group upgraded its responsible procurement program to integrate the new requirements stemming from the application of the Duty of Care Law and the Anti-Corruption Law Sapin 2;
- with regard to Society and citizen-consumers, the Group's internal Create & Impact program, which pools the contributions agencies make to their communities namely in the form of *pro bono* campaigns, volunteer actions and sponsorship programs, is now structured around the Sustainable Development Goals (SDG) of the United Nations in order to better measure the positive impacts. In the context of the global Common Ground industry operation, Publicis Groupe launched its own internal mobilization plan, entitled One Table, which is based on SDG2 (Zero Hunger);
- one of the key themes in terms of ethics was preparing for the entry into force of the EU General Data Protection Regulation (GDPR). This was integrated into the implementation of the Group's Big Data tools (People Cloud), and during the earliest stages of the Group's IT projects. Deployment of the international training program, which began in 2017, will continue through 2018. Efforts to raise general employee awareness have been stepped up following data protection news and the need to ensure the security of systems;
- in addition, the "Consume Less and Better" environmental policy has taken a more ambitious turn by aligning its objectives with the EU 2030 Climate and Energy strategy.

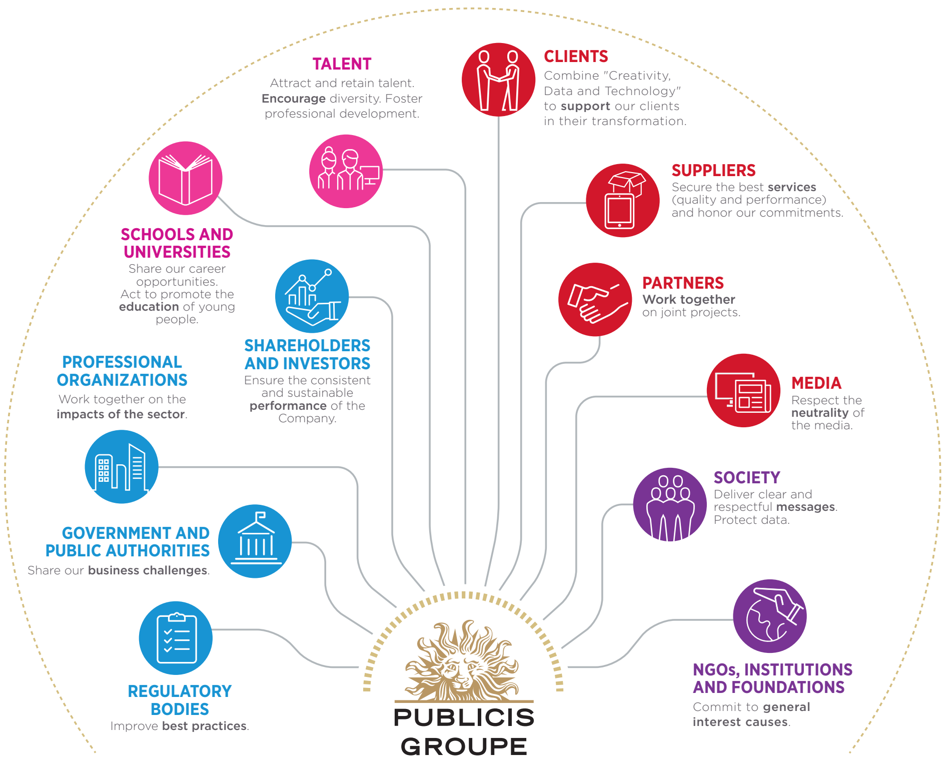
Materiality of CSR challenges

The materiality of the Group's CSR challenges was identified in 2015 *via* the implementation of a consultation process with its stakeholders: employees, customers, investors; the major topics that emerged were in line with the analysis proposed by the Sustainability Accounting Standard Board (SASB). This materiality table should be read in conjunction with the Group's risk analysis report (see Section 1.8 of this Registration Document), which integrates the Group's social, societal and environmental risks. The Group prefers to use a single risk mapping system.

The Group's CSR strategy takes into account all items in this matrix, placing particular focus on priority risks. The scope of these impacts concerns the Company and all its subsidiaries, as well as some of the related parties associated with the digital activities for customers (e.g. servers).



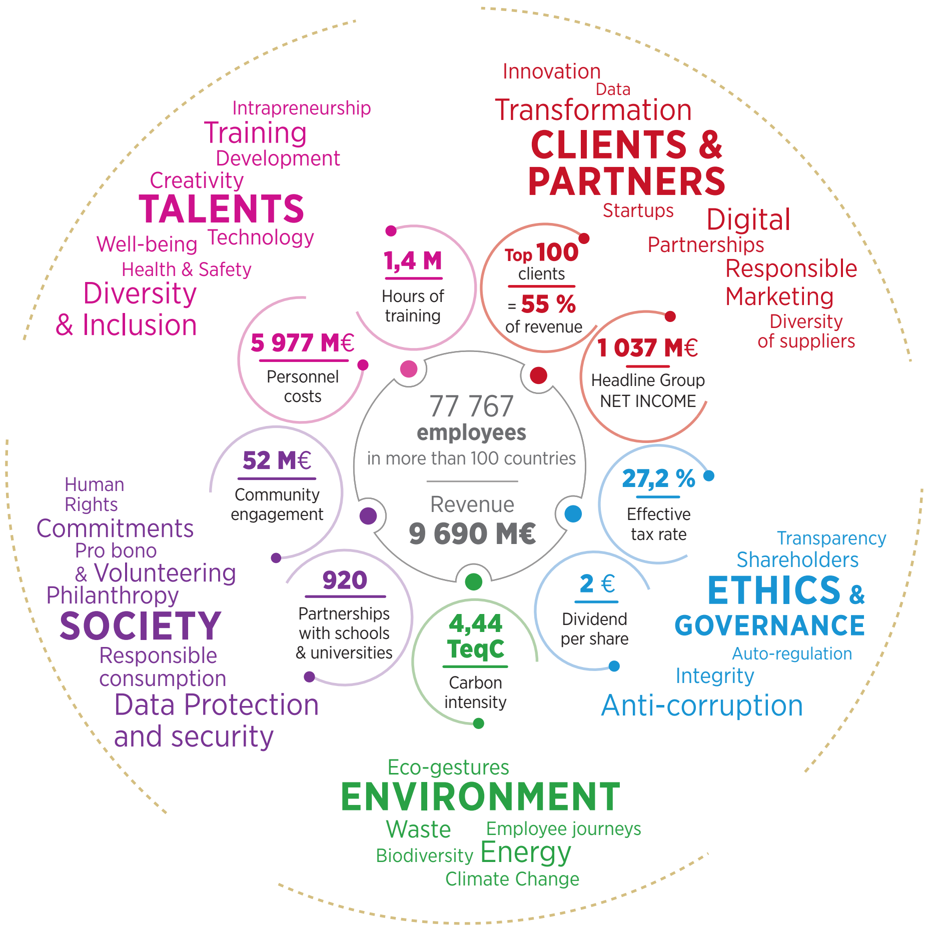
PUBLICIS GROUPE STAKEHOLDERS AND THEIR CHALLENGES



Value Creation

Our clients are central to the growth strategy and expansion of Publicis Groupe. Within the framework of the Group's transformation program launched in 2016, the customer now holds a central place in the organization (see the diagram in the introduction to this Registration Document in the Strategy and organization section, and the Group strategy in Section 1.4.2 of this document).

Sustainable performance guides Group projects (see key data pertaining to the Group's 2017 financial results in Section 3.3) with the goal obtaining a better measure of the direct and indirect impacts. This diagram integrates the expectations of the Group's three main stakeholder categories and highlights a certain number of external quantitative and qualitative factors.



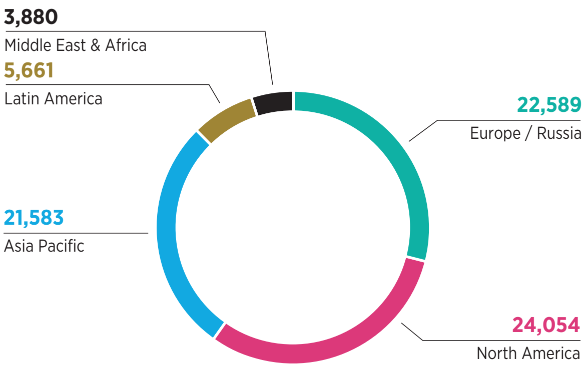
* *Submitted for approval by the shareholders at the General Shareholders' Meeting on May 30, 2018.*

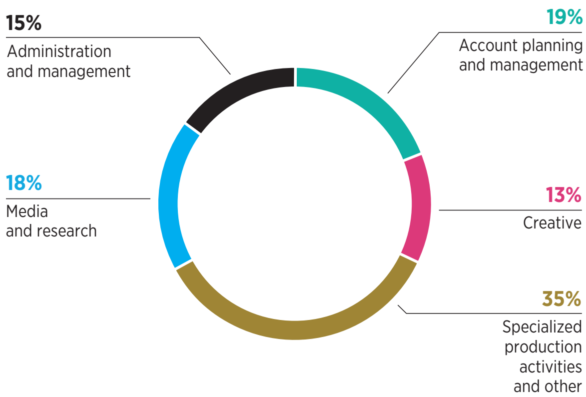
3.1 THE TEAMS: TALENT

2017 marked a turning point for the Group regarding how it addresses Talent related challenges. This is reflected by the appointment of Emmanuel André as Group Chief Talent Officer (CTO) who reports directly to the CEO. The mission of the Group CTO is focused mainly on talent management and recruitment, in collaboration with the CTOs of the Group's Solution Hubs under his/her responsibility, and the supervision of all of the Group's training and development programs. Emmanuel André took up his duties as Group CTO in September 2017.

3.1.1 Key figures

GEOGRAPHICAL DISTRIBUTION AND BREAKDOWN BY MAIN JOB CATEGORY AND FUNCTION (see Section 4 Note 3 of this document)





- Employment:
  - total headcount in 2017: **77,767** people

    The net variation of employees is broken down as follows:
    - hires: 30,942 people taken on in 2017. This year, the Group recruited the most employees in India (where the digital platforms of Publicis.Sapient are located) with nearly 1,500 positions,
    - departures: 32,351 in 2017. These departures are the result of the constant adaptation of the workforce in view of changes within the Group in 2017: on the one hand, the reorganizations during the implementation of the "Power of One" new organization by country (and not by network); on the other hand, the restructuring linked to the loss of clients, particularly in the United States in the media business. Publicis Groupe is a company whose entities and agencies carry out regular adjustments and which always prioritizes internal solutions. (Work is ongoing on the dismissals indicator at the Group level).
- Turnover in 2017: 24.0%

  The turnover rate is equal to the cumulative number of voluntary departures during the year of employees with permanent contracts, divided by the average annual number of employees with permanent contracts. There may be major differences between agencies and especially from one country to another.
- The Group's employment contracts are drawn up in compliance with the framework of local laws and regulations for permanent contracts and temporary contracts. Depending on the local context and the temporary needs of certain projects, freelance service contracts may be drawn up for independent workers.

  Employee contracts can be broken down as follows:
  - permanent contracts: 92% (89% of female staff members and 88% of male staff members are employed under a permanent contract),
  - temporary contracts: 8% (11% of female staff members and 12% of male staff members are employed under a temporary, fixed-term contract).
- Within the agencies, work is organized around project management requirements adapted to meet client needs. Work time is managed locally; timescales on some projects can sometimes be tight, which requires a certain amount of flexibility from employees. This is organized and takes several forms: teleworking, organization of working time – at the agency and on-site at the client, distribution of tasks, flex-management, etc. This is applied at almost all of the Group's entities with differences stemming from the nature of certain functions and the regional framework. Organizational flexibility must be shared by all, as clients are faced with exactly the same challenges.
- The absenteeism rate within the Group is estimated at 2.1%[1].

(1) *Definition: the absenteeism rate is equal to the total number of lost days, for absences other than paid or paternity leave, divided by the number of business days in the year.*

3.1.2 Diversity and inclusion

Anne-Gabrielle Heilbronner, Secretary General of the Group and member of the Management Board, is now in charge of CSR, Diversity and the Women's Forum. Diversity is a key management priority; the objective being to transform the Group's motto "Viva la Difference" into a reality for all. Respecting everybody for their individuality, both internally within the Group (the diversity of our employees) and externally (the variety of cultural contexts in which the teams work with our clients) is at the heart of our corporate culture. All Diversity & Inclusion policies at the Group and agency levels are regularly updated and communicated to employees associated with the actions implemented. In addition, they are often shared with our clients. This is an everyday requirement of all employees and management that must be expressed by the figures.

Diversity in the Group – at December 31, 2017

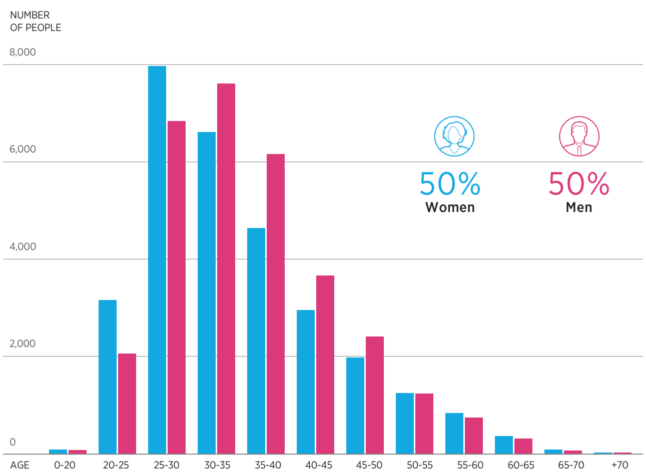
(Trends in the data for past years are accessible on the CSR page of the Group's site, under the section "CSR Smart Data")

	% Women staff members	% Women members of an agency EXCOM	% Women CEOs of an agency	% Women Heads of Creative Teams	% Women Heads of Technological Teams	% Women EXCOM members of the Solution Hubs
TOTAL PUBLICIS GROUPE	**50.0%**	**39.3%**	**30.1%**	**19.0%**	**12.5%**	**36.4%**
Africa & Middle East	49.7%	24.1%	16.7%	14.3%	16.7%	N/A
Asia Pacific	42.5%	42.9%	40.3%	22.2%	13.5%	N/A
Europe	53.0%	37.7%	30.9%	17.8%	14.1%	N/A
Latin America	50.9%	45.5%	40.0%	12.2%	11.8%	N/A
North America	53.7%	40.3%	20.4%	23.7%	10.0%	N/A

Scopes as a % of the Group

- *Solution Hubs Management Committees: calculated at the Executive Management level for Publicis Communications, Publicis.Sapient, Publicis Media, Publicis Health, Publicis One and Re:Sources;*
- *Agency Executive Committees: calculated at agency or entity management level and by region;*
- *Agency CEOs: calculated at CEO level of each agency or entity and by region;*
- *Creative Team Directors: calculated at the management level of creative-teams of agencies or entities with this function, and by region;*
- *Technological Team Directors: calculated at the management level of technological/data teams of agencies or entities with this function, and by region;*
- *Distribution of gender in headcount by region.*

- The Management Board chaired by Arthur Sadoun comprises three men and one woman (25% female representation).
- The Executive Committee chaired by Arthur Sadoun comprises five men and three women (37.5% female representation).
- The Management Committee chaired by Arthur Sadoun comprises 21 members of which seven are women (33.3% female representation).
- The Supervisory Board of Publicis Groupe, which is chaired by Maurice Lévy, comprises twelve members of which six are women (50% female representation). The addition of one staff-representative director during the year raised the total number of Board members. See Section 2.1.1 of the present document.
- Average age of employees: 35 years old (36 for men – 34 for women).
- Age pyramid: In 2017, the age pyramid was calculated on the basis of more than 80% of the Group's headcount (*via* the P-Talent internal tool). One of the Group's challenges is to give the many young women who join the agencies at the start of their careers the opportunity to advance with greater ease and stay longer in the Group.



THE "ZERO TOLERANCE" PRINCIPLE

The principle of non-discrimination is intangible. It has always been applied in the fight against discrimination and also applies to sexual harassment and inappropriate conduct. This is how it is defined in the Janus Code of Ethics (excerpts of which are accessible on the Group's corporate site at: www.publicisgroupe.com). Managers receive regular training on the "Zero Tolerance" policy from local legal teams, the objective being to create the conditions for an inclusive culture that is respectful to all.

The Group is proactive on the subject of employee diversity. Among all of the criteria to be taken into account, the Group is pursuing its efforts in eight specific areas, namely: diversity, age, disability, cultural and ethnic origins, training, sexual orientation, religious beliefs, and veterans (military). These priorities are not restrictive, but allow agencies to carry out initiatives in accordance with local country regulations, either alone or in partnership with others.

Monitoring of diversity indicators is subject to national legislative requirements. At the Group level, only gender and age data can be consolidated and published. More in-depth analysis carried out locally makes it possible to implement specific actions, both in terms of recruitment, retention and promotion.

In numerous countries, training programs are implemented for female and male managers to raise their awareness to "unconscious bias" issues; new-recruit induction sessions also cover issues related of "unconscious bias" which is a key issue since it stems from the Group's corporate culture.

In 2017, the Group confirmed its commitments in favor of gender equality by joining two international initiatives: The CEO Action for Diversity and Inclusion in the United States requested that hundreds of CEO signatories share their best practices and data concerning trends in female employment in their organizations. Publicis Groupe is also one of the twenty corporate members of the "Unstereotype Alliance" which is placed under the aegis of UN Women and whose mission is to fight against outdated gender stereotypes in communication campaigns.

FOCUS ON THE WOMEN'S FORUM

In 2009, Publicis Groupe took over the management of the Women's Forum, which was created almost twenty years ago. The mission of the Women's Forum for the Economy and Society is five-fold, namely: 1) to step up measures to achieve real gender equality, which is still a challenge in all countries worldwide; 2) to value women's contributions to the economy and society, and encourage women to go further; 3) to highlight societal developments and innovations that are opportunities for women; 4) to give a voice to those who fight for women's rights; 5) to provide a platform for exchange and sharing. The Women's Forum is an annual, global, theme-based meeting that takes place in France (in Paris in October 2017). There are also Country Forums that change location from one year to the next (Rome in June 2017, and Mexico City in November 2017). The Forum's attendance increases every year, with women coming from some 80 countries. Also worth noting is the increased participation of men at the Forum (20% of participants). This is an important element. The Women's Forum is also characterized by three of its own initiatives: Rising Talents, which honors several female talents every year who are under 40 and recognized as the leaders of tomorrow; CEO Champions, which requires Directors be more transparent on the progress made in their organizations (public and private); Women in Media, whose mission it is to unveil and promote numerous talented women, make them more visible and give them a voice across the media.

3.1.2.1 Regional diversity and inclusion policies

a) Diversity policy in the United States

Measures undertaken over the past ten years to step-up activities are now bearing fruit. The "Talent Engagement Inclusion (TE&I) Council" is the Group's internal sharing and action platform for HR and Diversity managers in the United States. It allows agencies to come together to work on joint projects, while preserving their specific activities. The priorities of the "TE&I Council" are three-fold: to move towards a more inclusive recruitment policy; prioritize varied, and even atypical career paths; and strengthen loyalty through training programs, such as "Unconscious bias," "Efficacy sessions" and "Straight talk." Meetings to determine priorities and adjust joint actions are held once a quarter (and once a year in the presence of the Group's Secretary General and with the Group's CSR Department). Local agencies are free to carry out targeted actions in line with their hiring needs. For three years, the Group has been publishing a quarterly newsletter highlighting its activities. This newsletter is accessible under the Talents section of the CSR page on the Group's website.

The impact of the actions taken by "TE&I" in the United States is two-fold: Firstly, at the internal level with an increase in the number of "Business and Employee Resource Groups" (BRGs) in some twelve cities. Nine of the Group's BRGs hold regular gatherings for their employees, women and men, to reflect and react together: VivaWomen! (women), Égalité (LGBT), VivaWomen! of Color (Women of Color), VivaMama (Mothers), <VivaTech> (for women in technology), MOCA (Men of Color Alliance), GenNext (Young Talents); Publicis Connects (for HR managers and to facilitate internal mobility) and PubVets (Veterans) were launched in 2017. Secondly, at the external level, *via* the Group's participation in a selection of conferences. These initiatives enable employees to take part in theme-based day events and leave with concrete projects to take back to their agencies. At the "Black Enterprise Women of Power Summit", the Group accompanied a delegation of 30 participants. At the "3% Conference", the delegation included 60 highly motivated participants eager to change the organization of creative leadership. At the "Out & Equal Summit For Workplace Equality", the Group's agencies were well represented to share their actions in favor of the LGBT community. Finally, feedback from the delegations present at the "Diversity Woman", "Odyssey New York", "AdMerica", "ColorComm" and "Adcolor" forums was extremely positive and bodes well for further progress. The alumni network of the MAIP (Multicultural Advertising Intern Program) remains an interesting recruitment platform. Created by the US multi-industry organization, 4As (American Association of Advertising Agencies), this program welcomes interns in the summer and even offers some of them jobs.

In May 2017, Publicis Groupe joined "CEO Action for Diversity & Inclusion", a US initiative with several hundred CEOs and Executive members of international companies highly committed to creating work places that are inclusive and inspirational. The focus of action is three-pronged: Management commitment – in its actions, the implementation of large-scale training programs to counter unconscious bias, and the public sharing of best practices. This approach relies on the leverage impact that could prompt a change in behavior in the private sector.

For the first time, the Healthcare Business Women's Association in the United States nominated a man to be "Honorable Mentor". The Association also rewarded Nick Colucci (Chairman of Publicis Health, COO of Publicis Communications North America, and member of the Group's Management Committee) for his determination and actions to foster gender equality and promote career advancement for women in the health industry.

In addition, at the beginning of 2018, in recognition for their actions carried out upstream, nine Group agencies received a 100/100 score on the "Corporate Equality Index" organized by the Human Rights Campaign Foundation, within the framework of the "Best Place to Work – for LGBT Equality" ratings.

b) Diversity policy in India

The Group has a staff of around 12,000 employees in India. Since Sapient set up operations in India, the firm's teams have been very active in promoting diversity throughout the country, notably in Gurgaon (Delhi) and Bangalore, where the bulk of the firm's workforce is located. Here, as elsewhere, there is a drive to step up efforts and see a real improvement in numbers. Within the context of the induction program organized to welcome new employees into the Company, all female and male recruits take part in an "Unconscious bias" session designed to anchor the culture of diversity. It is then up to management and all female and male employees to apply these principles, be it at the recruitment level or in terms of professional development. New sessions structured around resolving concrete cases were organized for managers in 2017. In 2017, the internal Women Leadership Network (WLN) benefited from new momentum from the women and men participating in its activities, notably *via* a series of "Industry Lens" workshops on "AR *vs* VR" (augmented reality *versus* virtual reality), as well as mentoring sessions designed to help women in their personal and professional development, with the knowledge that there is a lack of female engineers in the technological sectors. In recent years, special attention has been given to *ad hoc* training programs and events designed to create a more inclusive working environment for women. At the external level, Group agencies have implemented a new reintegration program entitled SPRING designed to enable women to return to work after an interruption in their technological career. This project was developed with the help of the Indian platform, "JobsForHer". Out of more than 800 external job applications received on the platform, 66 were short-listed and 4 women candidates were chosen to join the teams of Publicis.Sapient.

In terms of inclusion, worthnoting is the work being undertaken by teams on the issue of disability, in order to better recruit more disabled employees and to participate in projects that make their lives easier. This is notably the case with regard to the work being carried out by Sapient. Razorfish on "Touché", a new digital tool designed to greatly simplify the lives of people who use Braille, and, as such, give them greater access to a wider range of support materials at greatly reduced prices. This product has been widely praised in India for its social innovation for the visually impaired.

Finally, Sapient is an active member of Nasscom, one of the top professional organizations in the technology industry sector in India, and has been involved in various programs in recent years to promote greater diversity in the sector.

c) Diversity policy in France

In France, the Group remains open to effective initiatives that promote diversity; every year French offices maintain the relationships forged with several associations (Associations Frateli, Nos quartiers ont des talents, Baissez les barrières, #STOPILLETRISME, Jeunesse et Enterprise, C'Possible…) since to be effective, support should be carried out over the long term. With regard to the allocation of the apprenticeship tax, diversity is still a key priority for the Group (training, job profiles, etc.), which continues to back several pilot high schools for young people from disadvantaged districts. This support is also reflected in the Group's recruitment approach. The Group remains committed to the fight against youth unemployment, to promoting the employability of young people and to fostering their integration with different partners, as it does within "The Alliance for YOUth" led by Nestlé.

With regard to gender equality, Group agencies are active in terms of professional development, promotion and remuneration. The agencies also take part in VivaWomen! activities which enable women to participate regularly in debates on leadership, mentoring and personal development.

FOCUS ON DISABILITY

The level of integration of disabled employees (not quantified at the Group level due to regional legislation requirements) is still insufficient despite efforts made in this direction. French agencies are still lagging behind with regard to their obligations (percentage of disabled employees at 1.5%) despite some proactive initiatives. The Group's commitment made at National Disability Week in November 2017 was upheld by renewing the Handi'Bastille initiative on the Bastille campus which united the agencies to raise awareness, to experiment and carry out exchanges on the issue of disability, and in general to combat stereotypes and received ideas, thanks to information sessions and simulation workshops, as well as events organized in the form of a virtual 'escape game' and a 'one woman show'. A "Handi to day" recruitment campaign was also organized with HR managers from several agencies. In addition, the Group is heavily implicated in the digital accessibility of its productions and documents, particularly those of a corporate nature.

d) Diversity policy in the United Kingdom

In 2017, Group agencies stepped up efforts to reduce the gender pay gap and bring it into line with new legal requirements. In addition to carrying out precise wage reviews, the agencies shared their experiences and the practices put in place to ensure gender equality, and worked on collaborative cross-sector projects related to recruitment, professional-development and pay equality. 2017 was also a year of reviewing different local policies and practices designed to foster a working environment that boosts the number of women moving into management positions. Legal teams maintained ongoing awareness raising actions and training programs for management, as well as new training modules such as "Unconscious Bias" for women and men.

VivaWomen! UK is a dynamic network that supports employees in the United Kingdom by organizing events and small work groups. Égalité UK pursued its internal awareness raising campaign designed to change attitudes with regard to LGBT related issues. These initiatives, which are monitored by employees for the benefit of other staff members, have been met with a very positive response to build an increasingly more inclusive work culture.

e) Diversity policy in South Africa

In 2017, Group agencies were accredited BBBEE ("Broad-Based Black Economic Empowerment") – level 1 following a voluntary appraisal carried out with external auditors. This is the highest certification level and underscores the ambition of the South African agencies regarding a project which has an internal impact vis-à-vis employees, a business related impact on client expectations and on society with regard to changes targeted by the company and local authorities. This multi-faceted appraisal is a long-term project in that it is not a straight forward compliance exercise but rather a strategic choice. Essentially, this means undertaking a proactive action plan, particularly in terms of management, recruitment, training, and purchasing. It is therefore a business project that is taking shape, with issues concerning leadership, internal culture, practices and project management.

3.1.2.2 Internal affinity groups

Internally, affinity groups, or "Business – Employee – Resource Groups" (BRGs) have stepped up their activities in the last two years, and not only in the United States. These groups unite voluntary employees in an effort to enhance awareness with the goal of developing concrete solutions vis-à-vis the day-to-day running of the agency (see their presentation on the CSR page of the corporate web site). BRGs also play a role at the external level, in that: they take part in different events and actions aiming to change behavior and practices. At the Group level, there are nine peer groups, of which two are being developed on the international stage, namely: VivaWomen! (women) and Egalité (LGBT). In addition, a great many local networks have been developed that are based on projects developed by employees. Affinity networks also embody the reality of The Power of One.

VivaWomen! – Present in over 25 cities and 15 countries, VivaWomen! brings together around 5,000 motivated women and men volunteers to take action and support other women in the Group, regardless of their position or function within the Company. Coordinated by the Group's CSR Department, it is present in several large cities, including Los Angeles, Shanghai, Mumbai, Madrid, Paris, London, New York and Chicago. Its primary objective is to promote the professional and personal development of women within the Group in a working environment that promotes gender collaboration. VivaWomen! USA has created two sub-groups; VivaMama, to more closely support future mothers and parents, and VivaTech, focused on women in the technological and digital sectors. The area of focus of VivaWomen! is two-fold: "Career Development" (with leadership training, Lunch & Learn sessions, coaching, etc.) and "Work-Life Integration" (with workshops on "motherhood and work," "time management," regular testimonials from women or men role models, etc.). The "Meetings With" inspiring people continues and the Mentoring program has been rolled out locally. In every city, priorities are adjusted to meet the expectations of local teams and the names of networks can be more specific (such as Leo Burnett and "Women's Leadership Network", SapientRazorfish), and Women@Digitas). Finally, VivaWomen! works alongside customer and other companies' women's networks to carry out joint awareness raising and mobilization actions. In accordance with its initial positioning, VivaWomen! commits to causes that defend the rights of women and girls.

"Égalité" – Launched in the United States, this network brings together employees from agencies mobilized in the defense of LGBT+ rights (Lesbian, Gay, Bisexual, Transgender communities), and is backed by the Group's CSR Department. All agencies have now joined this network, which exists in a number of major cities from Boston to Los Angeles. One of the notable successes of 2017 is the 100/100 score obtained by nine US agencies within the context of the external evaluation "Human Rights Campaign 2018 Corporate Equality Index". This rewards a long-term approach that began in 2006 with the implementation of several actions, and which enabled Publicis Media to be recognized this year as the "Best Place to Work" for Publicis Media, as a Solution Hub, LGBT Talent employer. The focus of these evaluations concerns a number of things: the policies in place and the activities carried out in the agencies. The "Égalité" network is now also present in London, Paris and Manila (Philippines).

Engage young people group management work

In 2016, Publicis Communications set up "PubComm2020"; the Millennial Board for the Solution which brought together twenty-one young talents (12 women and 9 men) who were invited to work on the transformation of the company, by focusing on issues related to creativity, growth and employee commitment. One year on, everybody has been able to reap the benefits of this initiative at three levels, namely: for themselves, in terms of self-confidence and audacity; for the agency in terms of pro-activity and innovation with regard to customers; for the Solution by helping to boost the number of initiatives in their countries, such as setting up a 'Local Millennial Board'. To assist them in this mission, a one-year *ad hoc* training and mentoring program was designed specifically, entitled "the Leaders Studio". This is now accessible to a group of 200 young talents considered "high potentials", in order to accompany them in their professional development.

In 2017, Publicis Media launched its "Next Generation Board" with a two-fold internal and business objective. The aim is to rethink the functioning of the Solution, so that it can benefit employees and customers, alike. The members of this system benefit from the support of their local and central management, so that they can participate fully in the transformation of the organization, and propose specific initiatives in terms of business. As such, 148 young women and men from 15 different countries were mobilized both individually and collectively. They focused mainly on three themes in 2017: employee commitment, the 3-year vision and recruitment.

3.1.2.3 Recruiting and attracting talented individuals with varied profiles

Forging close relationships with schools and universities is still an asset that agencies can leverage to keep students informed of the constantly changing trends on the job market. Recruiting an increasingly broader range of profiles is imperative. This requires approaching future professionals who might not necessarily make a spontaneous move to approach the company themselves. 920 collaborations between agencies and schools and universities are organized around:

1) internships – nothing can replace on-the-ground learning with actual business cases. Internships are essential to understanding the Group's professions and putting skills into practice. Most of the Group's agencies take on interns; Internships and apprenticeships remain a springboard for starting professional life in an agency;
2) virtual or physical job and careers fairs are key events for recruiting. Sometimes several agencies participate jointly in these major events, promoting a more well-rounded vision of the diversity of occupations. This has notably been the case for several years at the South by Southwest Conference (SXSW) in Austin Texas;
3) open days in agencies: in various countries, specific dates have been set to welcome students. These events are often supported by professional and trade organizations, including at headquarter offices that welcome delegations of students on study-travel;
4) teaching – many managers are involved in existing training courses or participate in their co-creation. Some are also involved with organizations that reach out to young people who have veered away from traditional educational paths, and who have skills that can be developed.

The productive facilitation of digital communities *via* social networks, alumni platforms and professional platforms by function now occupies a central place in agency recruitment strategies. Communications and digital occupations are changing at a very rapid pace: the most important thing in recruitment is the candidate's personal agility and potential.

Local management of Group agencies and entities: a key success factor of the Group's agency acquisition and integration policy is maintaining the local management team in place. In more than 90% of cases, agency management is, and remains, local.

3.1.3 Development of skills, experience, careers

- 69.1% of employees benefited from some form of training or career development in 2017. This was a year of transition, in order to better focus efforts on a few key programs, with the knowledge that the Group's ambition is to build a learning culture with regard to the in-depth changes taking place in the industry. Moreover, in light of the transformation of the Group, numerous seminars and internal sessions related to the developments of the organization were also held.
- Over 1,414,000 training hours were dispensed during the year (*i.e.* 27 hours per person, based on the number of trainees), *via* more than 10,000 training modules (complex indicator) can be broken down into the following:
  - 896,000 training hours on a one-on-one basis,
  - 518,000 e-learning or "self-learning" hours were shared.

Training topics

The objective is to help the teams, and to give them the tools necessary to provide clients with the best proposals, as well as to stimulate them so that they can evolve with ease in the digital ecosystem and thus maintain their employability.

The key priority is still digital: the goal is to ensure that all employees are able to acquire basic know-how that is common to all agencies, and can build on their skills in a permanent manner. In addition, there are recurring needs related to:

- technology, which every day gives rise to new innovations related to video, virtual reality and augmented reality, as well as connected objects and artificial intelligence. Digital technologies and their applications, from the acquisition of the basics for the great majority, to understanding the different languages and codes and up to cutting-edge expertise for others, are the priority areas of focus for the Group's training programs. More than 70% of the volume of hours is dedicated to digital/data;
- creativity: because ideas are volatile from one end of the planet to the other, it is necessary to try out different creative mechanisms, and master all formats where mobile and video technologies occupy a central place;
- the programming framework is continuously evolving with the emergence of new tools that are more complex, faster, and more precise;
- partnerships with social networks and platforms are still indispensable;
- management remains a very important subject that is deployed in a variety of customized modules, designed to accompany managers and future generations of decision makers individually or in small groups.

In 2017, the Group's Publicis Academy pursued its programs, for the most part *via* the Executive Development Program (EDP) which brings together more than 100 managers from different job functions, agencies and countries: three sessions took place in 2017: in New York, Paris and Singapore with a total women participation rate of 51%.

MARCEL: the internal platform

Announced in June 2017 at Cannes, the objective of this internal platform, which uses artificial intelligence, is to strengthen connections between all employees, around the Group's 200 business lines in more than 100 countries. The aim of this project is to restore employees to center stage, to give them a better understanding of all the skills and experience of their colleagues, and to enable them to become part of a project that interests them. It is also designed to gain time and optimize efficiency for customers in order to build the best team for each project, and to put in place solutions that are appropriate both from a creative as well as a technological and data point of view, with all the necessary skills. Developed thanks to the expertise of Publicis.Sapient and in partnership with Microsoft, Marcel will radically transform the way Group teams work and interact.

Internal mobility

The mission of the internal Lion Talent platform is to promote internal mobility. Internal mobility enriches the career paths of talented employees and the content of services offered to clients. Several internal mobility solutions are available: notably YouXplore at Publicis Media: Previously called "Live My Life", it is an employee exchange solution enabling employees to host, or be hosted by, other employees in other cities, and benefit from the job experience of the other person locally. The success of this program is underpinned by the duality of its professional and cultural profile. In 2017, 270 employees benefited from this internal mobility solution, of which 230 from Publicis Media.

In terms of international mobility, the focus in 2017 was placed on building a Group approach that enables employees to make better use of professional opportunities in numerous countries and benefit from the Group's new internal culture built around Power of One.

3.1.4 Employee well-being

3.1.4.1 Flexibility and new working methods

Most agencies have adopted work flexibility systems to allow for teleworking (from home, from the client's site, or even another Group agency) particularly in major cities where travel times are significant. Employees are equipped with the tools required to facilitate their work. Flexible working methods (collaborative work, teleworking, variable hours and part time) are carried out in accordance with the regulations in each agency. Each one determines the conditions (workload, role in the team, task to be carried out for the client, performance, etc.) and the employee eligibility criteria. Flexibility is suitable for numerous situations, and employees can benefit from it at different stages of their professional careers.

Parental leave

3,106 employees benefited from parental leave during 2017 (60% women, 40% men), with the knowledge that all employees are potentially eligible, depending on the local laws (indicator published for the second year). In recent years, many agencies have reinforced their policies for maternity leave, not only with regard to the number of weeks of paid leave in disadvantaged countries, but also from a managerial point of view, in order to enable future mothers to better manage their return to work (with *ad hoc* support before and after the birth, and on return to work). Different initiatives are taken to facilitate family life: several large agencies (on all continents) have made breastfeeding rooms available. Publicis. Sapient has set up a nursery on its new Bangalore campus. Social benefit programs (*via* Employee Assistance Programs or EAPs) include provisions for childcare.

3.1.4.2 Employee well-being

In service businesses, where professional life is intense, the question of employee health and well-being in the workplace is approached with great care and rigor on the part of the teams in charge of human resources and all the managers. The vast majority of employees work by sitting in front of a screen. They are therefore sedentary, with intense use of their vision, often across multiple screens. The key areas for occupational illness prevention are: stress management (and/or psychosocial risks: PSR) and the prevention of musculoskeletal disorders (MSD), as well as visual fatigue and the fight against physical inactivity.

Several initiatives are managed at the local level by each agency. These may include consultations with an ergonomist to help correct problematic seating postures; eye exercises demonstrated by a specialist (orthoptist, etc.) or *via* webinar sessions designed to raise awareness on how to rest the eyes; access to lunch-time fitness classes (gym, yoga and relaxation, etc.) at the agency; regular sessions with nutritionists, and free supplies of fresh fruit, juice and even breakfast; on-site massages by professionals (physiotherapist, chiropractor, osteopath, masseurs, etc.). All of these options are preventive measures and have proved effective on many occasions. For sports fans, certain agencies facilitate access to nearby health clubs by offering subsidized membership fees. Some agencies have installed their own on-site sports facilities, such as Sapient in India which even has its own trainer and coach. For the really serious athletes in its ranks, the Group promotes participation in sports activities (running and cycling events, marathons and half-marathons, team sports). Numerous actions have been carried out this year, including:

- in France, projects to improve well-being at work are discussed in the agency CHSCTs (Committees for Hygiene, Safety and Working Conditions). Similar approaches adapted to meet employee expectations exist in numerous countries in Europe;
- in India, major agencies have installed nurses office for their teams, which receive daily visits from healthcare professionals: doctors, physiotherapists and nutritionists. In 2017, the company offered 500 employees a free check-up. This is one of the most widely-used programs every year;
- in the United States, Re:Sources continued to roll out its EAP (Employee Assistance Program) throughout all of its entities. This offers employees (and their families) on-line preventive healthcare support that is highly individualized and confidential. One third of all employees have registered. "Health Coaching" is a much appreciated service: it encourages employees to pay attention to their health and engage in the activities that best suit them. The satisfaction rate is 95%, and 90% of the participants confirm the motivational impact of this on-line assistance. The Group's new Teladoc telemedicine service provides employees with free 24/7 year-round access to doctors for consultations from mobile phones or by video, whether the person is at work, at home or on vacation. 96% of those who have used the service give positive feedback. One of the new services available is Bright Horizons, which enables families to better address the challenges of finding a balance between their professional and personal lives. For this, the Group has installed nurseries for employees' children and care facilities for their old or sick parents, and implemented home-help solutions (with a 94% user satisfaction rate);
- in Hong Kong, Saatchi & Saatchi has implemented an internal "Back u up at 6:45" scheme to encourage employees to leave their offices earlier so as to avoid extremely long working days. This initiative was widely covered and has inspired other companies;
- lastly, 25 Group agencies were among the agencies which received recognition as a "Great Place to Work," or "Best Place to Work" in 2017.

Prevention of seasonal illnesses

The agencies monitor and act in support of national screening initiatives and disease-specific campaigns (e.g., flu vaccinations). Preventative health measures are occasionally subject to specific conditions in countries with collective or occupational agreements. All employees in these countries benefit from these collective or occupational agreements where such agreements exist.

Health insurance

As almost 100% of employees (permanent and temporary contracts) are covered by some form of medical cover (social security or health insurance), irrespective of local social security provisions (government, government-company-employee or private company-employee contribution plans, self-funded, etc.). In several of the Group's regional markets (such as the United States, India and several European countries), employees can benefit from insurance programs for themselves and their families.

The workplace accident rate(1) was 0.33%. The main causes of workplace accidents were related to transportation (home-work commuting and work-related travel).

- The accident frequency rate(2) was 1.81.
- The severity rate(3) was 0.02.

Health, hygiene and safety

The Group follows the local regulations in place. In the United States, federal law (Occupational Safety and Health Administration) may be supplemented by laws in each state, and possibly reinforced at the municipal level. In Europe, this mission is entrusted to dedicated local committees (Health and Safety Committee) whose purpose is similar to the French CHSCT. Elected or volunteer employees receive training on safety and first aid. Evacuation drills (fire, earthquake, etc.) are regularly conducted at the facilities, with support from general services teams (Re:Sources) and building managers. In India, Occupational Health and Safety regulations apply, and, as in many countries, small teams of employees are trained every year in all buildings and on all floors to assist others in the event of an emergency.

(1) Workplace accident rate calculated with a 2017 coverage rate of 93%.

(2) Calculation of work accident frequency rate: total lost days of work multiplied by 1,000,000 divided by the actual worked hours for the year calculated with a 2017 coverage rate of 93%.

(3) Calculation of severity rate: the total number of lost hours of work multiplied by 1,000 divided by the actual number of worked hours for the year calculated with a 2017 coverage rate of 93%.

Because the physical and material safety of its employees is a priority, in 2017, the Group set up LionAlert, a new internal alert system, designed to establish contact with employees in danger and make sure they are safe.

The deployment and management of LionAlert is carried out locally by human resources managers.

3.1.5 Listening to and engaging with employees

3.1.5.1 Employee Engagement survey

The employee satisfaction survey, organized for the first time at Group level at the end of 2016, provides a common reference framework. The findings of the survey were shared with employees at the local level by the management of Group entities during the first half of 2017. In terms of results, the project of the Marcel internal platform whose creation was announced in June 2017 is the example of an explicit request made by many employees on how they envision working in the future (see Section 2.4.1.3).

3.1.5.2 Individual annual assessments

67% of employees underwent an annual assessment meeting ("talent review" or "performance review"). The principle of an annual internal performance review for all employees is an internal requirement and is in line with the human resources guidance set out in the Janus Code of Ethics. The Fidello tool (formally known as Horizons), is deployed in all Solution Hubs. The advantage of Fidello is that it can be used at any time throughout the year. Other tools are also used mainly in the digital agencies, with a mind-set of project and performance monitoring carried out more frequently during the year.

3.1.5.3 Social dialogue

Social dialogue is included in the Janus Code of Ethics. The aim is to foster staff/management exchanges and ensure freedom of expression for employees. With regard to the Group's commitment to the UN Global Compact, and its adherence to the International Labour Organization (ILO) Convention, the Group is committed to respecting freedom of association, freedom of expression, and the right to collective bargaining.

In France, the Group Committee is an information, opinion exchange and dialogue body for Group Senior Management and personnel representatives at Group level. It discusses the strategic orientations and major challenges of the Group. It meets once a year and receives information about the Group's business, its financial position, changes in, and forecasts for, annual and multi-year employment and the actions planned given the changes.

Employee representative bodies and employees in general are regularly consulted on and informed about projects and developments affecting their agencies and the Group. In France, where the concept of collective agreement prevails (unlike in other countries where the concept does not exist in this form in the communication industry), several negotiations led to agreements in 2017 concerning the renewals of:

- the Group collective agreement on workplace gender equality;
- agreements on health and welfare costs by integrating the "Responsible Contract".

Several topics related to the right to disconnect and new teleworking devices were discussed in 2017. Previously signed agreements that are still in force include: the Economic and Social Data Base (ESDB); the generation contract for the employees over-50s retention (2015); the Welfare Plan (2012) with a recent revision of the medical expenses component enabling employees to adhere to an optional supplementary protection scheme. Finally, a framework was set for the deployment of a "bicycle mileage allowance" policy.

The average size of the Group's agencies worldwide is 100 employees, with the exception of a few large entities with a staff of over 1,000 people. Publicis Groupe remains very decentralized. The aim is to promote direct, frequent exchanges between managers and their teams regarding Company matters and current projects.

In 2017, in all of the Group's operating countries, managers and local directors reinforced the ongoing information work carried out by their teams' on the Group's transformation program launched in 2016, to explain the consequences in terms of strategic vision and operational organization through The Power of One.

3.1.6 Compensation and recognition

3.1.6.1 Compensation

All information pertaining to staff payroll trends is detailed in Section 5.6, Note 3 of this document. The Group does not have a consolidated indicator for the compensation of all employees: due to the significant disparities between countries, an overall approach is of little relevance. The approach remains local, and takes industry trends into account. Compensation must comply with the following principles: on the one hand, the preservation of competitiveness and local appeal and the avoidance of disparities within the same market and, on the other hand, operating in line with Group practices, particularly in terms of equality based on individual and collective performance to ensure fair and balanced compensation; lastly, where appropriate, the strengthening of social security provisions.

All of the information pertaining to the compensation of Publicis Groupe senior executives is detailed in Section 2.2 of this document. The precise criteria are indicated for the different components of this compensation.

Publicis Groupe's different stock option plans and free share plans are detailed in this document in Section 5.6, Note 28.

The different pensions schemes and other long-term benefits are presented in this document, Section 5.6, Note 21.

The participation of employees in share capital through a range of profit-sharing and incentive plans is explained in Sections 5.6, Note 28 and 7.3.6 of this document.

Employee profit-sharing: in France, the Group has implemented a profit-sharing policy for its employees that are pegged to economic performance in relation to the Group's organic growth in France and abroad. Under the three year profit-sharing agreement signed with the trade union organizations, all Group employees in France received a bonus in 2017. The employee savings policy was upheld with 300% matching by Group companies; 2,872 employees in France chose to benefit in 2017.

Gender pay equality: analysis work continued on a regional level with the deployment of "Job Grading" which allows for a more uniform understanding of positions and functions. This site is headed up by the Secretary General, with support from the teams in charge of compensation (Compensation & Benefits) and the CTOs of Solutions. This analysis is carried out country-by-country in order to compare compensation levels with market practices, with a constant focus on consistency and fairness. The Group remains very vigilant about gender equality issues. When differences appear, the local management of the agencies is responsible for resolving them. In the United Kingdom in 2017, entities with over 250 employees worked on preparations for the implementation of the "Gender pay gap Reporting" regulation in 2018 (measuring the pay gap between men and women, and not equal pay). In Australia, where the law also requires companies to report annually on gender equality, Group agencies have begun to report on the actions put in place to improve the conditions for women in these organizations.

3.1.6.2 Recognition

In June 2017, Arthur Sadoun, Chairman & CEO of the Management Board, announced that Publicis Groupe would be retreating from various international creative competitions for one year, in order to focus on the Group's ambitious project to build the Marcel internal platform. At the same time, he invited the organizers of professional festivals to rethink the format of their events. Since then, Publicis Groupe agencies may no longer submit campaigns with the objective of winning a prize.

Summary table of social indicators

(Multi-year data trends available on the Group site, in the CSR section of the CSR Smart Data page)

Indicators	Unit	2015	2016	2017
Group headcount		77,574	78,913	77,767
Turnover	%	26.3	24.9	24.0
% Women	%	49.3	49.3	50
% Men	%	50.7	50.7	50
Average age Women	years	34	34	34
Average age Men	years	35	35	36
Average age Men and Women	years	35	35	35
% Women CEOs of agencies**	%	-	27.6	30.1
% Women managing the creative department**	%	-	18.3	19
% Women managing the technological/Data department	%	-	-	12.5
% Women on agency Executive Committees**	%	38	37.9	39.3
% Women on Solutions (formerly networks) Executive Committees	%	22	32.6	36.4
Trained employees (% of employees)	%	71	67	69.1
Number of training hours – total	hours	1,231,000	1,418,100	1,414,000
Number of training hours *per capita* (divided by number of employees trained)	hours	22	28	27
Number of face-to-face hours	hours	858,000	1,013,300	896,000
Number of hours in e-learning	hours	373,000	404,800	518,000
Number of programs		5,900	9,000	>10,000
Training fees (external)	€ millions	-	22.9	19
Employees trained in internal Janus Code of Ethics	%	48	76	83
Number of employees benefiting from parental leave**		3,216	3,229	3,106
Employee assessments (% of employees)	%	52	70	67.3
Internal satisfaction surveys (% of employees)	%	40	80	N/A*
Employees benefiting from health cover	%	98	100	100
Rate of health cover (% of employees)	%		95	95
Absenteeism rate (% of employees)	%	2	2	2
Workplace accident	%	0.3	0.4	0.3
Workplace accident frequency rate		1.77	2.15	1.81
Workplace accident severity rate		0.03	0.03	0.02

* *Group survey not carried out*
** *2015 and 2016 figures refined during 2017 reporting*

3.2 CLIENTS AND PARTNERS

Sustainable development challenges have become a feature in the relationships between brands and consumers in all sectors because of the in-depth changes that have revolutionized our lifestyles and ways of working, and how we relax, consume and communicate. People are now beginning to realize that they too can be a driver for change, in a world that needs to change its habits.

3.2.1 The Group's clients

The Group's client portfolio is presented in Section 1.4.5 of this document.

In 2017, based on 3,233 clients representing 86% of the Group's total revenue (see Section 1.4.5 of this Registration Document), the breakdown of client business sectors/industries remained relatively in line with past year trends.

In 2017, Group agencies carried out roughly 10,000 client surveys. These surveys are conducted either as questionnaires administered by agencies or as annual interviews or performance appraisals. Several key international clients also administer these customer satisfaction surveys themselves. A portion of client surveys therefore fails to come to the attention of agencies. Among the assessment criteria are campaign performance, the creativity/innovation provided, team competence, the effectiveness of the service offered and the quality of the relationship.

The Group has long-standing relationships with certain clients: the average duration of the 10 main clients is 46 years. See also Section 5.6, Note 26 "Disclosures regarding major clients" in this document.

3.2.2 Services offered to clients

These are listed in Section 1.4.3 of this Registration Document which gives specific details on the Solution Hubs accessible in the Group's 20 largest markets.

- Publicis Communications: Creative solutions (with Publicis Worldwide, Leo Burnett, Saatchi & Saatchi, Fallon, BBH, Marcel, MSL, Prodigious).
- Publicis Media: Media and digital solutions (with Starcom, MediaVest, Spark Foundery, Zenith, Blue 449 and Digitas).
- Publicis.Sapient: technological and digital solutions (with Sapient Consulting and SapientRazorfish).
- Publicis Health: Health solutions (with Digitas Health and Publicis Health Media).

Publicis One, the Group's new integrated organization which brings together all the expertise in a one-stop organization, is present in more than 40 countries.

Lastly, in over 50 countries, the shared services of Re:Sources carry out all back-office activities for agencies in all countries, with the aim of continuously improving processes and complying with Publicis Groupe corporate policy.

3.2.3 Responsible communication and marketing

Group agencies actively participate in the emergence of new types of communication with the end consumer and promote new, more sustainable forms of consumer behavior, in close collaboration with the clients themselves who are now deeply committed. The basic responsible marketing principles are founded on: truth, decency, respect, honesty, and social and societal responsibility. As such, this must be translated into the form and the substance of the messages, while preserving a maximum amount of creativity. The aim is to build on tangible facts and provide proof.

Rishad Tobaccowala, the Group's Growth Officer, has often pointed out at public conferences that the industry should be vigilant about "over-targeting". The challenge is to meet consumer expectations by adhering to the key principles of responsible communication and to assist Group clients in developing their products and services through transparent communication. For digital communication, this means systematically taking three points into account, namely to ensure that: a) data management and protection systems comply with the new EU General Data Protection Regulation (GDPR); b) our clients ' campaigns do not appear in inappropriate environments (notion of "brand safety") due to the hazards of certain algorithms or the outbreak of "fake news"; c) our agencies, customers and partners are protected against cyber attacks such as viruses that can have serious consequences.

We also take into account the target audience, particularly children or so-called vulnerable audiences. These challenges are increasingly complex due to rapid technological progress, the voluntary or involuntary digital traces left by everyone, and the proliferation of connected objects. All of these new issues are handled by expert teams within the Group as well as through effective cooperation with certified partners.

Creativity & Technology for Good illustrates a philosophy and professional practices that support responsible marketing. Examples of campaigns can be found in the CSR section of the Group's website.

The communication sector is a regulated industry that is sometimes governed by laws. The profession has always promoted professional self-regulatory mechanisms to ensure that the ethics of advertising content are respected. The Group and its agencies work hand in hand with various national bodies such as ASRC in the United States, ASA in the United Kingdom, ARPP in France, and EASA in Europe, or the Advertising Standards Council in India.

In the field of digital communication, Group agencies attach particular importance to the fact that digital advertising should not be intrusive, irrespective of the type of channel used, otherwise it could cause user-rejection, and promote the use of Adblockers (advertising blocking devices). This principle of responsibility has long been defended by the Group, and is now widely shared by industry professionals, making it possible to establish industry standards banning certain types of formats. For the Group, this means making precise technical choices and adopting approaches that preserve consumer protection. It is also part of the work carried out by an organization such as the IAB ("International Advertising Bureau") of which the Group is a member (See Section 3.4.2).

Responsible communication is also expressed by the type of resources implemented. In France, for example, creative agencies such as Publicis Conseil, with Prodigious, are systematically called on to subtitle films and videos for all types of medium. This approach is an extension of the French Advertising initiative – AACC – to promote the universal subtitling of advertising films. www.soustitronsnospublicites.aacc.fr.

All these elements illustrate the new cultural maturity of the Group's entities: the agencies have stepped up the integration of CSR issues by applying them to themselves and in their work: they have become contacts of choice for their clients on these issues.

Focus on the CSR strategy deployed by Publicis Conseil in France

The flagship agency of the Paris-based group, Publicis Conseil launched its CSR Department in 2015. The agency has a clear agenda concerning the "Positive Change Program" built with two main stakeholder groups: the agency's employees and its clients. At the beginning of the internal action plan, the focus was placed on building a culture that integrates these issues, training the teams in the "Positive Agency" and developing an eco-communication (or eco-design) process that is already applied for several clients. Finally, the "Positive Business" plan has enabled teams to better structure their capacity to accompany the agency's clients in terms of sustainable development both upstream in their projects and through their communication strategies. Various initiatives have been implemented to raise the awareness of internal teams to these new challenges (training sessions, action days, etc.) and enabling them to help their clients on specific projects (expertise, studies, workshops, etc.).

Focus on CSR team work within Publicis Health in the United States

The team that has been in place over the last few years has greatly enhanced employee awareness of all sustainable development issues and the way in which the agency (health sector), could have a more concrete positive impact through the work it carries out for its clients. A 360° brain-storming session with the Group's different stakeholders made it possible to prioritize internal commitments, by promoting voluntary actions in support of various organizations such as the American Heart Association, and the fight against skin cancer with the Skin Cancer Foundation, as well as multiple sclerosis, and strengthening *pro bono* and advocacy resources. More important, no doubt, is the strategic direction taken for the first time in 2017, concerning the summer intern program: this was focused on skin cancer with the objective of working on mechanisms for changes in behavior and new means of prevention. 70 students participated in the different projects and presented their proposals in person. This strong internal mobilization benefited all of the agency's clients.

Focus on the work of Salterbaxter in the UK

Salterbaxter is a unique consulting entity within the Group. Its mission is to offer its customers the support they need to undertake sustainable and complex strategic changes. Their approach is underpinned by changing trends in the vision, as well as the culture and the reality of the business. By developing positioning and the actions to be implemented to ensure that change becomes a reality for everyone (employees, clients, etc.). The aim is to go beyond the operational approach so as to enable companies to think differently about their activities, their business model, and their future development with their stakeholders. This means adopting a completely different mindset in terms of strategy, performance and communication so that clients can adopt a systemic strategy that is more ambitious and agile. Regardless of when the agency intervenes, the main thing is to include sustainable development as a strategic, tangible and creative lever having an immediate and long-term positive impact.

3.2.4 Ethical principles applying to all Group agencies

The ethical principles applying to all Group agencies involve two complimentary aspects. Firstly, compliance with the Janus internal Code of Ethics which applies to all employees and provides a coherent operating framework for managers in numerous fields (see Section 2.1.5). Secondly, some businesses have their own specific set of ethics. One classical example of this is compliance issues in health agencies. Communication in this sector is highly regulated in many countries. This means that all teams in our agencies receive training in the regulatory framework, as well training from their clients who very often have a formal communication framework.

On a different note, over the past ten years or so, the Group has installed specific systems such as Publicis Media Verified for digital technologies in its media agencies. This concerns "brand safety", *i.e.* the environment in terms of media content in which advertising is broadcast. Given the volumes involved, it is essential that Group clients know in which environments their ads will appear, and if the traffic amounts are exact (data). A small team is in charge of carrying out daily checks of the sites that might be proposed to customers. This is an issue of quality and responsibility. This team also works with specialized and certified third-party companies that perform the same type of control.

Another example is RelaxNews within Publicis Media. Specialized in the production of content, this entity implemented an ethical framework in 2017, by enlisting the services of a recognized compliance specialist, who is external to and totally independent from the Group. An internal set of guidelines comprising 12 key principles steers the work of the teams of journalists in order to preserve editorial freedom. Employees can contact the compliance specialist with any questions they may have related to independence or freedom of expression. The role of ethics is essentially preventive, so that potential issues can be identified and addressed early on. After just one short year, 100% of the recommendations made by the compliance specialist have been accepted by the management.

Lobbying practices

Some assignments may involve lobbying and strategies to influence decision-makers on behalf of clients. Lobbying teams always comply with transparency criteria in relation to their clients, in such a way that their work, the objectives targeted and the actions carried out are done so with integrity, in accordance with best practices in this area and in line with the Group's internal rules. In accordance with legal obligations and best practices, the teams involved are clearly identified (mainly within MSLGROUP, which is specialized in influencing strategies), both in terms of the Transparency Register of the European Parliament and the European Commission, or on a country-wide basis of the digital repertoire of representatives of interests managed by the High Authority for the Transparency of Public Life in France (HATVP), and in the United States where the rules of the Lobbying Disclosure Act with registration in compliance with the subjects and organizations concerned.

3.2.5 Technological innovations and partnerships

As a privileged partner for the major digital platforms, Publicis Groupe has also built technological partnerships with different companies. The aim is to better understand the technical possibilities and work together to find new, intelligent solutions, and to meet client and consumer expectations.

The various entities that comprise Publicis Groupe have also developed different analysis and research methodologies, in particular for consumer behavior and sociological developments, and have developed software tools and specific systems to assist in serving clients. Most of the tools concern media planning activities. They are presented in detail in Section 1.7 in this document.

Relationships with start-ups

With the second edition of Viva Technology in Paris in 2017, the Group, in collaboration with the French financial newspaper Les Échos, pursued its ambition to stage this key event in Paris which hosts meetings and fosters discussion between all the players involved in the digital transformation. The objective was two-fold: to promote innovation and foster growth by pooling ideas, resources and technologies.

For three days running in June 2017, VivaTechnology welcomed 68,000 visitors including several hundred business and opinion leaders, thousands of professionals and students, as well as 1,400 investors and 1,500 journalists, to debate and participate or take part in business transformation at the economic, social, technological and human levels. The third day was open to the general public with access to 25 Open Innovation Labs, the possibility of learning from and discussing with the attending professionals from the ecosystem, and taking part in hundreds of conferences and workshops. The next VivaTechnology event is scheduled to take place in May 2018 in Paris.

Several of the Group's major digital agencies have created internal "Labs" whose aim is to create the optimal testing conditions for multi-disciplinary teams. In recent years, many of these "Labs" have integrated the possibilities offered by augmented reality, virtual reality and artificial intelligence and several technical partners are associated with projects to jointly develop innovative solutions.

In London, the Drugstore incubator, which aims to encourage innovations and the emergence of start-ups, has been rolled out: it is now present in Zurich, Hamburg, Mumbai, Shanghai, Sydney and Johannesburg. Over the last few years, the Drugstore has hosted around a hundred start-ups. The objective is to allow the development of new concepts and activities, and to facilitate the relationship between start-ups, Group agencies and their major clients.

Since 2012, Publicis Groupe has been a partner of the Iris Capital fund, ever since it participated with Orange in a first joint operation to support start-ups. The Group pursued its commitment in 2017 by participating in more IrisNext multi-corporate funding projects focused on firms with strong potential to radically transform their sector, specializing in Industry 4.0, the Internet of Things, Cyber Security, 5G networks as well as Artificial Intelligence, Big Data and Cloud, etc. This fund invests mainly in Europe, notably in Germany and France. (see www.iriscapital.com)

3.2.6 Responsible procurement

The Group's Procurement Department and CSR Department maintained the program deployed with the EcoVadis platform, and has carried out over 230 supplier assessments. In 2017, focus was placed on providing qualitative rather than quantitative follow-up on difficulties encountered by VSEs and SMEs in integrating this type of system, the challenge being verification. The Procurement Department was also reorganized and new approaches tested. The initial objective of regularly assessing at least 500 suppliers (central and local) remains unchanged.

The "CSR Procurement Guidelines" gather the principles shared during calls for tender. Suppliers are required to complete an *ad hoc* questionnaire ("CSR Procurement Questionnaire") containing over 40 questions (social, societal, ethical, supply chain, human rights, working rights, environmental impacts, etc.) similar to those used by assessment platforms. With regards to responses to invitations to tender, bids are assessed on the basis of three criteria: firstly, a firm commitment to sustainable development, secondly, the actions implemented and their results, and finally the solutions proposed that integrate sustainability levers in relation to the subject of the invitation to tender.

The Group's Procurement Department monitors several indicators internally: (a) the systematic inclusion of CSR questionnaires in the centrally and regionally managed ITTS (RFIs/RFPs); (b) consideration of the responses to these questions in the final score given to the suppliers' bids; (c) acceptance by suppliers of the "CSR Procurement Guidelines" including the 10 principles of the United Nations Global Compact and the 17 Sustainable Development Goals set by the United Nations.

Lastly, the Procurement and CSR Departments work together with certain key suppliers to find shared solutions so that they can make progress together, particularly concerning reducing environmental impacts (such as energy consumption and waste). In regard to procurement contracts with VSEs and SMEs, agencies have established working relationships, often long-term, with local players in an effort to find *ad hoc* solutions for different projects. This is customized work with local suppliers.

"Supplier Diversity"

The issues related to diversity (and social policy) in the supply chain are becoming increasingly important in a growing number of countries. These issues are monitored internally, either by dedicated and certified teams, in direct contact with clients, or with support from external experts working in Group agencies. Team awareness is raised to meet the challenges of Supplier Diversity so that everyone can include this aspect in their daily considerations, not just to meet client specifications but to better assess supplier selection criteria. This makes it possible to forge long-standing partnerships with companies which are generally VSEs and SMEs and often experts in their line of service: This is the case for Ipedis (a French Social Economy and Solidarity firm specialized in web accessibility that works with the Group and its agencies), and various production specialists in the United States and the United Kingdom.

In certain activities, such as security and cleaning, which are carried out by small local businesses, the Group makes sure that it can assess its local suppliers regarding their respect of human rights, and all social, societal and environmental criteria. In terms of subcontracting, the agencies endeavor to anticipate as best they can their clients' major constraints, notably concerning the time needed to carry out certain projects during peak activity periods. Finally, in all the countries where it operates, the Group ensures that suppliers and partners are paid promptly at the end of the projects.

3.3 CITIZENS-CONSUMERS AND SOCIETY

For the past few years, citizens-consumers have had a direct power of influence ("consumer empowerment"). Consumers interact with brands in an immediate and constant way. The challenge is to make available the specific tools and technological systems (surveillance tools) to monitor these reactions more closely and to develop an instantaneous and more seamless communications system that is adapted to constantly evolving needs. Citizen-consumers are also valuable partners within the context of initiatives taken by agencies for communities.

3.3.1 Consumer protection measures

Janus, the Group's Code of Ethics, sets out the key behavioral principles applicable to all employees when performing their job, such as respect for others, confidentiality and avoiding conflicts of interest.

Since its creation, the Group has always refused to participate in partisan campaigns (no political campaigns), a stance that is quite rare in the communications sector. These rules apply to all Group employees and are a fundamental part of the Janus Code of Ethics (accessible on the CSR page of the Group's website).

Publicis Groupe conducts business-to-business communications operations. The Group's direct challenges are linked to systems made available to Group clients (for their brand name/trademark, products, services, etc.).

With regard to data protection, Group experts take part in different multiparty working groups at both the national and international level to examine best practices, existing and future standards and the consequences of the latest and forthcoming regulatory developments. The common goal is to improve transparency in new modes of communication and interactions with the end user. The Group is, in fact, very concerned about notions of trust, as well as free will and freedom of choice of citizens-consumers (see Section 3.3.2 below).

In terms of inter-professional activities, Publicis Groupe has for several years been a member of the Coalition for Better Ads, which brings together all key players in the ecosystem (companies and trade organizations) around the common goal of improving online advertising standards. While it is clear that this finances many digital activities, it also has to better meet the expectations of consumers. One of its important areas of focus concerns the non-intrusive nature of advertising and the technical standards to be respected, notably regarding data protection.

(Also, see CSR Reports since 2009 and commitments given, for example, concerning OBA – Online Behavioral Advertising, or AOD – Audience on Demand).

Focus on the role of Global Data Privacy Officer (GDPO)

In 2016, Publicis Groupe began to step up the preparation for, and implementation of the European General Data Protection Regulation (GDPR), so as to ensure compliance. This regulation concerns the personal data of employees, as well as data used in connection with communication devices implemented for clients. With this in mind, the Group implemented an *ad hoc* form of governance with a GDPR Steering Committee comprising corporate and operational members, GDPR Leads designated in each Solution Hub and Local Data Privacy Stewards appointed in the Group's operating countries to accompany entities in these developments. To this end, more than 1,000 employees were trained on the front line in 2017.

The objective is to ensure that Group agencies act in accordance with data protection laws and apply the "privacy by design" principles: this requires working closely with project teams way in advance, covering data protection matters, reviewing and assessing certain systems, liaising with client counterparts and cooperating with external partners. The GDPO is the first point of contact for any internal or external request made in relation to data protection issues. The GDPO also works closely with the Global Information Security Office (GISO).

In general, the mission of the GDPO includes updating procedures (such as the Global Data Disclosure Policy accessible on the CSR page of the Group's website) and ensuring its application, by organizing internal training, and dialogue with professional bodies.

Focus on the role of the Global Information Security Officer (GISO)

The GISO works closely with project teams as well as with peers at client and partner firms. The GISO's role is multifaceted: ongoing vigilance in light of different types of threats by working with staff on custom-made solutions; responding on a technical level to client expectations in accordance with their specifications and the communications project to be developed with them; training the Group's technical teams to anticipate technological changes as effectively as possible. The GISO also exercises a monitoring role with regard to carrying out regular audits on control and security procedures for information systems and raising employee awareness of new risks (on a case by case basis) several times a year.

The GISO oversees ISO 27001 certifications (five certified entities in the United States and India); the GISO's team has expertise in very specific fields, such as HIPAA (Health Insurance Portability Accounting Act), protection of medical data, and PCI:DSS (Payment Card Industry) which is the security standard for payment cards. Some GISO teams are responsible for conducting security tests on the Group's infrastructures, assessing project risk and ensuring the effective protection of personal data. On this last point, the GISO works closely with the GDPO (see previous paragraph), particularly on issues with upstream preparation and on ensuring compliance with the new European Regulation (GDPR). Lastly, the GISO is responsible for business continuity in the event of incidents affecting infrastructure.

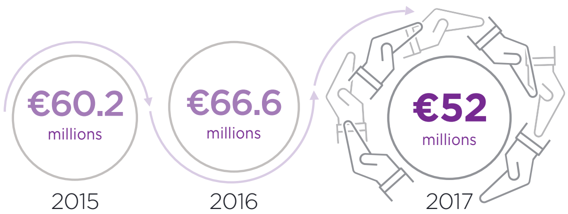
3.3.2 Responsible consumption

Lifestyles and consumption habits in developed societies are moving toward greater restraint. At the same time, one section of humankind is aspiring to, and legitimately accessing, a better standard of living. Against this backdrop, what is the best way to encourage new sustainable and responsible consumption habits? Advertising and communication are still vital when it comes to raising the profile of companies' products and services and developing their businesses and jobs over the long term. Competition is increasingly fierce across all business sectors and the end customer is highly fickle. Customers are increasingly well informed and highly demanding. Offerings are plentiful and attractive. It is important to Group agencies that citizen-consumers are always able to exercise their free will and make informed choices. In light of the challenges facing our society today, changing consumption patterns is a complicated process that involves the opinions and desires of everyone concerned. The aim of Group agencies is to act both as supporters and facilitators of behavioral change.

Common Ground: in 2016, Publicis Groupe, together with another five other communications groups (WPP, Omnicom, IPG, Dentsu and Havas), committed to back the Secretary General of the United Nations by lending their expertise to promote the Sustainable Development Goals (SDG) of the United Nations. This sector approach is specific to the communications industry. Publicis Groupe is working on SDG2: Zero Hunger. The key areas of focus are: eradicating food waste and promoting sustainable farming. At the internal level, the Group launched the One Table campaign in 2017. The aim is to encourage Group employees to participate at their own level, and to raise the awareness of partners – clients, suppliers, NGOs and institutions – of the need to join this effort. This commitment spans several years and examples of actions can be found on the Group's website www.publicisgroupeonetable.com.

3.3.3 Commitments by the Group, agencies and employees: Create & Impact 2017

Create & Impact is the umbrella program that pools the Group's actions carried out at the internal level (Wellness Days, Green Day and Green Week) and undertaken with communities and society in general, including *pro bono* campaigns, as well as volunteering and charitable activities. Create & Impact 2017 is the combination of all Group commitments having a societal impact, for an estimated total of €52 million in 2017. The difference from 2016 stems from two campaigns that met with tremendous success, as well as from a change in the type of contribution from the agencies with greater recourse to voluntary work. All activities carried out within the context of "Create & Impact" have a direct impact on population, on local and neighboring communities, and on regional development since there is a strong proximity between the agencies and the causes they support. All of the activities included in Create & Impact are now presented based on the United Nations' SDG in order to better assess their direct impact (see the CSR section of the Group's website).



As part of the Group's commitment to the "Common Ground" industry initiative to support the UN's Sustainable Development Goals (SDG), roughly 40 initiatives were carried out related to SDG2 (Zero Hunger), which was assigned to Publicis Groupe. Group agencies pooled their efforts under the internal banner entitled "One Table. Come together. End Hunger."

Pro bono campaigns and volunteering

Group agencies took part in over 730 projects in 2017. Both types of initiative are now grouped together as some projects combine the two approaches.

***Pro bono* campaigns** are free of charge and carried out by the Group's various agencies, in addition to all the skills-based sponsorship provided. Agencies concentrate on a limited number of causes. The teams are very proud of the awards that they have won in recognition of their creative freedom and the actual effectiveness of campaigns.

In regard to volunteering, one or two teams are made available for a limited period of time to provide operational support for specific initiatives run by non-profit organizations in the name of general interest causes.

Donations and charity work

Participation in charity events is ongoing. Natural disasters and large-scale serious accidents lead to spontaneous acts of generosity, with employees and management working side by side. Under these extraordinary circumstances, local presence is a key factor for success. This is why the Group gives priority to a decentralized approach.

3.3.4 Human Rights policy

Publicis Groupe has been a signatory of the UN Global Compact since 2003. In line with its cultural heritage as a French company, and its corporate culture, the Group is committed to respecting Human Rights. The Janus Code of Ethics compels managers and their teams to abide by local laws and regulations, and refers to the fundamental principles of the International Labour Organization (ILO), with special attention paid to gender equality in terms of employment, equal opportunity and remuneration, as well as to the scope and effectiveness of social security and the importance of employee relations. The ten principles of the UN Global Compact include the elimination of all forms of forced or compulsory labor, combating modern slavery and human trafficking, the elimination of discrimination, and the abolition of child labor.

The aim is to contribute to the general effort to reduce consequences of human rights abuses. Two focuses are worked on simultaneously. Internally, special attention is paid to the issues of non-discrimination, freedom of expression and equal treatment (see Section 3.1.2). Externally, two challenges prevail: to make the voices of those who fight for human rights heard, and work with suppliers on this subject. *Pro bono* campaigns, like volunteering (see Section 3.3.1) in support of organizations or general interest causes promoting human rights (of women, men and children) and opposing all forms of exclusion and discrimination, demonstrate the long-term commitment of the Group, as well as its agencies and employees, to defending human rights. The teams involved not only work on communications campaigns, but in many cases also give their time through volunteer support actions to help people in need.

The Group also acts in a more direct way through the Women's Forum (Women's Annual Forum for the Economy and Society) and its ability to influence, as explained in Section 3.1.2. Lending support to the Women's Forum, its partners and its participants give a voice to the projects, personalities and citizens involved in the different countries and, as such, create just so many opportunities to fight for Women's Rights (and therefore Human Rights) and strengthen the mobilization of all.

Suppliers' contracts signed with the Group's major partners (at a central or regional level) include various criteria related to human rights. Suppliers filing bids for tender are required to complete a "CSR Procurement Questionnaire" specifying their commitments and actions in this area. CSR issues are discussed during regular reviews when the Procurement Department seeks advice from the CSR Department. The Group's approach is detailed in the "CSR Procurement Guidelines" (see Section 3.2.6 "Responsible procurement").

The Group also chose to follow the United Nations' Sustainable Development Goals (SDGs – see Section 3.7, Guidelines) from 2015, by concentrating on 10 of them in order to measure its contribution and positive impacts.

Lastly, at the beginning of 2018, Publicis Groupe signed the Women Empowerment Principles (WEP), 7 fundamental principles listed by the United Nations to act tangibly to promote women's rights worldwide and at all levels. This commitment, along with the United Nations Global Compact, requires signatories to be more transparent in their actions and results.

3.4 BUSINESS ETHICS AND GOVERNANCE

The challenge is to maintain a high standard of ethics. The Group is firmly committed to ensuring respect for others and for data confidentiality and to avoiding conflicts of interest, practicing "Zero Tolerance" with regard to discrimination and harassment, and refusing to take part in partisan campaigns, etc.

3.4.1 Ethical principles in the conduct of business

Janus is the Group's Code of Ethics. It consists of a code of conduct and the company's operating rules. Janus applies to all managers and their teams. The code of conduct applies to all employees (see Section 2.1.5 of this document). More than 80% of the Group's workforce has received training in the Janus code and its contents. The majority of new employees, whatever their position, follow an induction program comprising a presentation of the Group and its businesses and a presentation on Janus and its key principles. This includes elements related to team and manager standards of behavior and the operating rules to be respected in terms of loyalty of practices. These include: the "Zero tolerance" principle in terms of discrimination, harassment, and violence at work, rules regarding conflicts of interest, fraud, anti-corruption, data protection, compliance, key points of the HR policy, and a reminder of the major principles adhered to by the Group, such as the United Nations Global Compact. In terms of business, one of the Group's historical principles is its refusal to take part in partisan communications campaigns of any kind. The Group refuses to work for political parties, factions or ideological propaganda organizations. Several Janus excerpts are available on the Group's website, section CSR.

Duty of Care Plan

Pursuant to article L. 225-102-4 of the French Commercial Code, the Company drew up a Duty of Vigilance plan relating to the Company's activities and that of all of its subsidiaries or companies it controls and designed to identify risks and prevent serious breaches that could infringe human rights and fundamental freedoms, or threaten the health and safety of people. To this end, an *ad hoc* committee was set up (Steering Committee), comprising members of the Internal Control and Risk Management Division, as well as managers from the CSR, Procurement, Human Resources and Legal Departments. Under the aegis of the Secretary General, the Steering Committee is tasked with developing the action plan and monitoring its implementation.

The risk map developed did not reveal any risks that had not already been identified by the Group and that would not already be covered by a policy or system mentioned in this section on social and environmental responsibility. Certain policies and systems will nevertheless be strengthened. As such, within the context of the Group's continuous improvement approach, it was decided to expand the panel of suppliers that will be assessed by the Ecovadis platform (see Section 2.4.2.5). Internal measures already taken to combat discrimination and harassment have also been reinforced (see Section 2.4.1.2). It was decided to extend the advance-warning "whistleblowing" system (see below) which is already in place within the Group to cover legal provisions related to duty of care.

Anti-corruption

The Group's anti-corruption policy is regularly reviewed and strengthened as an extension to the work carried out in previous years.

Training for managers and support teams (Re:Sources) continued in 2017. Janus addresses the issues of gifts, conflicts of interest and inappropriate or unethical behavior – either with clients or suppliers – competition and unfair practices.

The Group's legal experts play an important role in terms of awareness and the application of laws and regulations concerning corruption, fraud and money laundering. Based in the shared services centers (Re:Sources) and functioning under the Group's Legal Department, these legal experts keep a constant eye on laws and regulations dealing with corruption. They keep agencies aware of the issues, work on prevention and lay down compliance procedures adapted to local markets. The aim is to maintain extremely strict standards that comply with current applicable regulations. Progress has been made in developing training programs integrating new laws and regulations (e.g. Sapin 2) to facilitate constant improvement and to ensure that all employees are aware of and comply with the rules.

In addition, as part of their regular tasks in the agencies, the internal audit teams regularly remind local managers of the Group's rules regarding the fight against corruption and ethical business conduct.

Whistleblowing

This system is featured in the Janus Code of Ethics. It has been operational for a number of years and is accessible to all employees. All the alerts received (post, e-mails etc.) are dealt with centrally by the Group's Secretary General department. Investigations are carried out by the Internal Audit Department using the appropriate means in relation to the subject in question and ensuring strict confidentiality. The Internal Audit Director reports the findings of the investigations carried out to senior management and a report is presented at each Audit Committee meeting. Whistleblowers are protected by confidentiality and any form of retaliation is prohibited.

3.4.2 Professional ethics and ethics within business lines

Ethics is a cross-functional issue that covers numerous aspects, some of which are covered in Section 2.4.2, relating to customers (responsible communication, personal data protection), or ethical behavior issues. The following are examples of some initiatives in this area carried out and monitored by the Group over the last few years:

- **regarding professional self-regulation**, on an international scale, the Group is still very much involved, and works with professionals and all the competent authorities of the ecosystem to advance best practices and define the improvements to be implemented. The challenge here is to improve standards. Worthy of note is the work carried out with the IAB (Interactive Advisory Bureau) and the MRC (Media Rating Council) on the visibility of digital advertising, and how this can be quantified. ("viewability"). This work is perfectly in line with other professional organizations such as the AAAA (American Association for Advertising Agencies). For the record, work continues on the International Chamber of Commerce (ICC) Code of Ethics (www.iccwbo.org). This ICC Code (Advertising and Marketing Communication Practice – Consolidated ICC Code) sets the international standard for best practice in advertising and marketing. It includes digital communication and mobile apps. In the same spirit, concerning data protection, for example, the Group's experts are involved in the 4A's Privacy Committee and the Advertising Self-Regulatory Council in the United States, as well as the European Advertising Standards Alliance. This also applies to work done collectively on "Online Behavioral Advertising" and "Native Advertising", both in the United States and in Europe.
  - **the Trustworthy Accountability Group** (TAG) is the first cross-industry initiative of its kind dedicated to the fight against criminality in the digital advertising supply chain. Its work focuses on four areas: eradicating illicit trafficking, combating malware, fighting against online piracy and promoting transparency ("TAG Anti-Piracy Pledge"). The goal is to ensure "brand safety"; that is to say to ensure against brands appearing on inappropriate sites or environments. The "TAG Registry" was the second part of the "Verified by TAG" program, whose two-fold aim is to combat fraud and crime related to the online advertising sector, and to promote best practice. Publicis Groupe is one of the companies integrated in the "TAG Registry",
  - **Digital Ad Trust:** This French initiative implemented in 2017 brings together all of the players of the ecosystem, including the Media agencies. The goal of this approach coordinated by IAB France (International Advertising Bureau) is to assess and promote responsible sites based on the quality of their content and the advertising practices used (cookie and browsing preference policies);
- **regarding education**, Publicis Groupe has for eight years participated in "MediaSmart", a European program ("PubMalin" in France) designed to help primary school teachers teach 8-11 year olds critical thinking skills relative to advertising, in partnership with media representatives, teachers, consumer associations and regulatory authorities, among others. The Group also participates in the MediaSmart Plus program aimed at high-school students and their teachers;
- **professional organizations** (at the national and regional levels); agencies are also becoming increasing involved in cross-sector work with other stakeholders and in many topics related to the Group's activities. Agency managers and experts are involved in these organizations, and monitor the application of constantly evolving best practices by their agencies.

3.4.3 Audits and Certifications

Communications industries are subject to different formal frameworks. The Group's agencies are sometimes audited by clients on different issues. In 2017, in response to a request from the Association of National Advertisers (ANA) in the United States (ANA) focusing on issues of audience reliability, the 35 audits conducted by Group clients failed to show any anomalies.

The main certifications in place in agencies are:

- ISO certifications; 21 agencies are ISO 9001 certified, 15 are ISO 14001 certified, 5 are ISO 27001 certified (4 of which in India) and 4 are ISO 18001 certified (India); In addition, 2 entities are ISO 20121 certified;
- professional certifications; in some countries, these are required for certain activities; for example, with the CENP in Brazil or the CAANR in New Zealand;
- technological certifications, which are widespread and cover different types of technical standards.

As well as:

- industry qualifications related to certain tightly controlled business sectors, such as healthcare for Publicis Health agencies, in the United States, France and the United Kingdom: employees are trained in local regulatory frameworks and every campaign undergoes a Compliance Review;
- professional accreditations enable checks and audits to be conducted on behalf of clients, as is the case with Publicis Communications, at Leo Burnett Chicago, which conducts audits requested by clients on different aspects such as "supplier diversity".

3.4.4 Group Governance

Section 2.1 of this document lays out, in great detail, the Group's corporate governance principles.

Publicis Groupe is a company with a Supervisory Board and a Management Board. The members of the Supervisory Board and Management Board are presented in Section 2.1 of this document.

The risk factors (industry related, operational, environmental and human, regulatory and legal, financial) are presented in detail in Section 1.8 of this document. Risks known as CSR risks are incorporated in the Group's overall risk mapping.

CSR is monitored by the Supervisory Board within the Strategy and Risk Committee: it is placed under the supervision of Anne-Gabrielle Heilbronner, Secretary General and Member of the Management Board.

3.4.5 The Group's ecosystem: stakeholder relations

Stakeholders other than employees, clients and citizens-consumers (society) previously detailed in Sections 3.1, 3.2 and 3.3 are cited here.

Shareholder relations

The Group has been listed on the Paris Stock Exchange since 1970. It is one of the companies selected for the CAC 40 index. Detailed information on shareholders is provided in Section 7.2 of this document.

Investor relations

The Investor Relations Department (see Section 7.4.2 of this document) oversees everyday relations with investors and shareholders *via* numerous meetings and exchanges in various countries. The Investor Relations Department and the CSR Department work closely together with respect to ESG (Environmental-Social-Governance) requirements coming from shareholders, investors, management companies or ratings agencies.

The press releases and presentations circulated throughout the year are accessible on the Group's corporate website: investor relations' section.

Media relations

The Media (all forms) are key partners when it comes to buying media space: they are the suppliers that our media agencies deal with on a daily basis in different countries. Publicis Groupe has always been very committed to media pluralism and is often engaged in supporting media diversity and respect for media neutrality.

In a totally separate manner, the Group Communications Department supports the company's official corporate publication schedule. Agency communications focus on projects that they have completed for clients and on campaigns and awards. The Group's Communications department also keeps all stakeholders informed. Employees, shareholders, the general public and institutional investors are informed *via* different communication tools (media, website, social networks, newsletter, etc.).

Relations with consumer and environmental protection associations

In every country where the Group operates, these associations are key stakeholders in the local ecosystem. Agencies work with stakeholders on professional projects, listen to their opinions, meet with them to discuss the role of the communications industry, and sometimes help them with their projects (*pro bono* and volunteer work).

Relations with academic organizations

More than 920 programs have been carried out in over fifty countries. Some managers also act as regular, or one-off, contacts in some disciplines. Our agencies take part in events designed to help young students find out about jobs in the industry. They also welcome students on open days or for *ad hoc* visits.

The Group has forged relationships with various schools, universities (see corporate website, CSR section) and organizations that are highly committed to diversity. The Publicis Groupe is a member of "the Alliance for YOUth" whose mission is to combat youth unemployment and promote the employability of young people as well as their professional integration, and even reintegration. Launched in collaboration with several partner companies, this operation aims to create 100,000 job opportunities for young people in the years to come. Group managers and employees are committed to supporting young people for a given period in time (in Mexico and Paris, for example).

Relations with regulatory authorities, self-regulated authorities and inter-professional organizations

The current collaborative modes ensure that, in most countries, regular cooperation with the different industry regulatory bodies and/or self-regulation exists through inter-professional organizations, and inter-sector work carried out on common issues. The challenges related to the protection of personal data are an illustration: advertising is just one of the players. Long-term collaboration with all stakeholders is therefore indispensable.

Relations with governments and local authorities

Publicis Groupe is a responsible tax payer, who aims at all times to meet its tax obligations in accordance with applicable tax. This means that we:

- respect the tax laws applicable in each country;
- understand how and where value is created and ensure that transfer pricing reflects this;
- prepare and file tax returns in accurate and timely manner and retain all necessary documentation to support the tax filing;
- employ appropriately qualified and trained tax professionals with the right levels of tax expertise and understanding of the business.

Our tax strategy:

1. Compliance: We act at all times in accordance with all applicable laws and relevant international standards;
2. Transparency: We comply with all relevant legal disclosure and approval requirements and all information is clearly presented to the tax authorities. Openness and honesty are paramount in all dealings with the tax authorities;
3. Tax risk management strategy: To the extent the Groupe undertakes tax planning, it takes place where there is a business purpose or commercial rationale. The Groupe manages tax risks by applying due diligence care and judgement to arrive at well-reasoned conclusions;
4. Accountability & governance: We ensure that as a business we have the mechanism in place to adhere to the above principles as outlined in the Group's annual report.

3.4.6 Compliance

In relation to the GRI guidelines:

- Publicis Groupe does not receive any public subsidies;
- Publicis Groupe, whose core activities involve the provision of intellectual services, has not recorded any incidents involving child labor or forced or compulsory labor, nor incidents relating to the violation of the rights of native populations, nor human rights grievances;
- Publicis Groupe has not experienced any incidents of non-compliance with voluntary rules and codes concerning: impacts on consumer health and safety; information about its products and services; the provision and use of its services;
- Publicis Groupe has had no complaints filed against it for invasion of privacy or loss of client-related data;
- in 2017, a very small number of agencies (fewer than ten) recorded incidents of non-compliance with voluntary communications-related regulations and codes, more often than not in the form of notices or notifications issued by regulatory or self-regulated bodies, on each occasion giving rise to immediate modifications;
- Publicis Groupe has not had to fight any legal actions for infringement of anti-trust laws, anti-competitive behavior, or monopolistic practices.

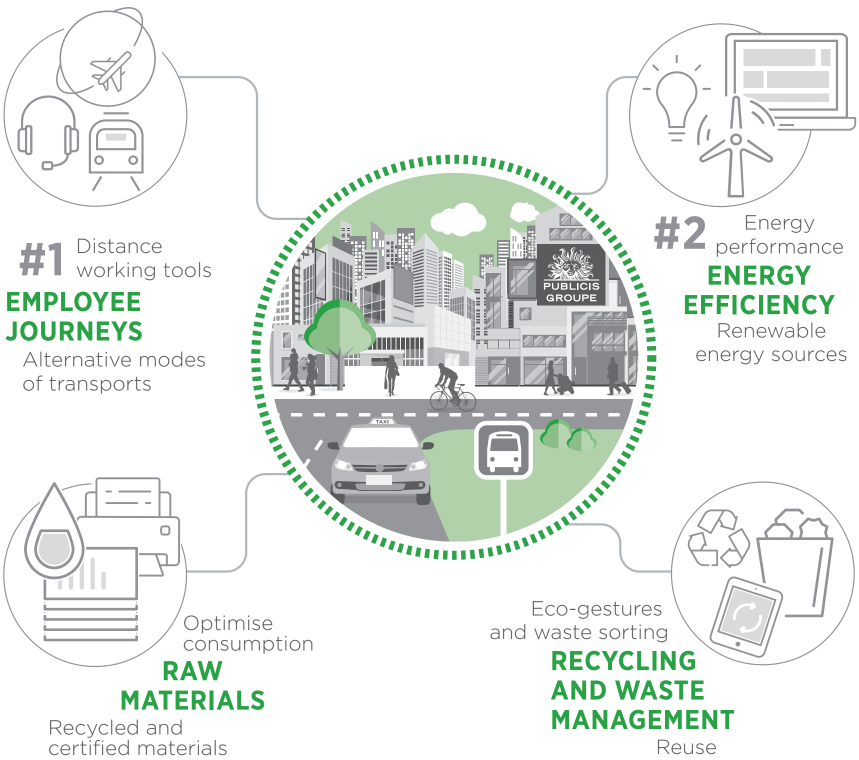
  In the United States, at the request of the professional organization of advertisers (ANA), external audits were conducted with agencies in the sector in 2017. Publicis Media successfully passed all the audits of 35 clients. In the United States, an inquiry by the Department of Justice (DoJ) is ongoing (along with other industry players) on commercial practices in video production. The Group is cooperating with the justice authorities.

Regarding article 225 of the Grenelle II Act, and supplementary information required by other French legal texts, the environmental impacts are dealt with in the section below. However, some indicators do not apply to Publicis Groupe, given the nature of the Group's service-based and intellectual activities, namely:

- the resources dedicated to preventing environmental risks and pollution (see Section 1.8 of this document); given the insignificant level of environmental challenges, the Group does not envisage writing any provisions and guarantees for environmental risks;
- the consideration of noise pollution and other forms of activity-specific pollution;
- measures taken to prevent, reduce or repair air, water and soil pollution (including land use) affecting the environment.

3.5 ENVIRONMENTAL IMPACT

In light of the Group's activity as an intellectual services provider, environmental impacts are not considered significant. Nonetheless, since 2007 the Company has adopted a voluntary approach in order to implement solutions that are not intensive in terms of resources, and to monitor impacts. New ideas, such as the circular economy or the sharing economy, must be incorporated by the teams. Employees are becoming increasingly involved in internal initiatives, particularly everyday eco-friendly practices, in order to limit impacts. With regard to the eco-design of campaigns, Group agencies have tested a variety of approaches and evaluation methods, and modeling projects have been launched. New reflexes are now in place in all production activities, so that the impacts can be limited as early as the project design stage. These voluntary initiatives make it possible to associate customers, suppliers and partners.



3.5.1 Environmental policy

"Consume less & better" is the motto that guides the environmental policy of the Group and its agencies. Since 2016, it has been developed around the European 2030[1] strategy (extending the 2020 policy applied until that point) and thus defines specific objectives. Clear trajectories are in the process of being finalized for the years to come. The summary table at the end of this section shows the changes under way.

The environmental policy (which may be consulted on the Group's corporate website, under the CSR section) continues to be structured around four key clear areas of focus in order to tackle priority challenges to:

1) reducing employee travel and its impact through the introduction of teleconference and conference call systems, etc., encouraging lower-emission modes of transport, such as public transport or "Green cabs", etc.);
2) reducing energy consumption and improving energy efficiency (by seeking to limit the impact relating to electricity, heating and air conditioning);
3) reducing consumption of natural resources and raw materials (mainly paper and water);
4) installing recycling and organized (non-hazardous) waste management systems.

(1) EU 2030 Environmental Strategy: 40% reduction in greenhouse gas emissions; share of renewable energy at 27%; 27% increase in energy efficiency.

Adapting to climate change

After becoming a signatory to the "Caring for Climate" pledge of the UN Global Compact in 2007, the Group strengthened its commitment *via* the progressive deployment of its environmental policy. At the One Planet Summit in Paris in December 2017, the Group upheld its support as a signatory to the French Business Climate Pledge, reaffirming its commitment to French businesses in favor of energy transition and the fight against climate change. At the internal level, Group agencies are pursuing their efforts to reduce the impacts by following the environmental policy and the objectives identified for 2030 (see table at the end of this section). Agencies can make more specific contributions if they are mobilized around Earth Hour (e.g. Leo Burnett in March) or Earth Day (e.g. Saatchi & Saatchi in April) or Green Week in Europe (e.g. Publicis in June).

Focus on real estate

The Group's Real Estate Department is closely involved in the environmental approach. It takes CSR issues into consideration during renovation work for agencies and when looking for new office space, ensuring preference is given, where possible, to premises that meet environmental and energy performance criteria. Each year, examples of best practices are exchanged between the different Real Estate managers in the Group's operating countries in order to anticipate the needs of future premises: certification of buildings (LEED, BREEAM, HQE, Energy Star, etc.), energy providers and type of energy mix proposed, including renewable energies, energy-saving electrical systems, type of materials used for interiors, and waste-sorting and recycling systems, etc. (see CSR reports since 2009).

Protection of biodiversity

This issue is dealt with on a local level, according to the immediate environment of each agency and its ability to have a real influence. Several actions have been implemented. In Costa Rica, Re:Sources is a model of the volunteer approach with an action plan involving employees in a carbon offsetting program designed to promote local biodiversity by preserving tropical flora and fauna in protected forests. In France, the Group has installed several beehives on the roofs of four of its buildings in Paris, including the head office on the Champs-Élysées and gives employees training in how to care for them. In addition to supporting the French beekeeping sector, a partnership was formed with the Apiflordev association, which fights poverty, particularly in Africa: sales of honey produced by the Group's Paris-based beehives are used to fund the installation of beehives in Senegal. In China, several entities have come together in a program to plant trees in the fight against local deforestation.

Providing employees with information and training on environmental issues

Employee awareness is raised to environmental issues at the local level during "Green Week," a week of internal action and events, and during "Cleaning Days," which take place at least once a year, and *via* billboards and internal information about the progress made (in terms of reductions in electricity and paper consumption, improved waste-recovery management, etc.). The aim is to foster new behaviors both in and out of the workplace so as to enhance the positive impacts.

3.5.2 Consumption

The Group's major sources of consumption and impacts are, in order of importance:

- travel (calculation: business trips + employee commutes) estimated at 1,200,419 km. The Group has continued to deploy teleconferencing rooms and collaborative distance working tools (video and voice) to avoid travel where possible; For its company car fleet, the Group follows European objectives, *i.e.* CO_2 emissions lower than 130 gr (EU objective being to reduce this to 95 gr by 2021);
- energy consumption; estimated at 158,192,000 kWh (down 8%) nearly 34% of energy, particularly electricity, is derived from renewable energy sources (on the basis of statements from electricity suppliers and above all to the choice of energy mix proposed by the Group's new suppliers). Efforts continue to improve energy efficiency and best practices (switch-off policy for computers and machines such as printers, as well as night and weekend lighting). When the Group has to envisage moving, the energy efficiency of the future offices is part of the selection criteria.
  - Data Centers: work to optimize and rationalize servers continues, as well as the consolidation of applications, including digital products and services created for clients. This work is being conducted in collaboration with some of the Group's major partners so that the results can be uniformly monitored. Efforts continue in North America: after having realized energy savings of 12% in 2016, another data center was able to save 13% in energy use in 2017. An ambitious plan is in the process of being rolled out (over several years). It aims to reduce the number of machines and to equip all employees with a range of powerful and energy-saving virtual tools,
  - Energy audits: pursuant to the application of the Directive 2012/27/EU, some agencies in Europe carried out energy audits in 2015 and 2016. These audits enabled progress plans to be drafted for the coming years (for example, improvements to systems or the strengthening of individual and collective eco-friendly practices). In 2017, savings of 15% were recorded on electricity and heating at the head office in Paris. In the United Kingdom where the efficiency plan is beginning to bear fruit in London, certain entities have set an ambitious objective for renewable energies to represent 30% of their energy resources. In 2017, Germany carried out energy audits and action plans have been undertaken;
- fixed assets (buildings, office materials such as IT equipment and servers, etc.): the Group seeks to use Green IT solutions in order to be able to work on more economical computers;

- paper consumption: 1,100 metric tons were consumed, of which more than 80% was certified and/or standard-compliant paper (FSC, PEFC or other labels); as well as consumables (cartridges, office supplies, etc.). For several years now, agencies have reduced their paper consumption by adopting across-the-board use of certified paper or by promoting a "zero paper" policy. In addition, the rollout of applications such as "Follow Me" makes it possible to select printers according to the type of document to be printed and to use a badge to launch the printing. Just a few weeks after installation, this application reduced paper consumption by 50%.

Additionally:

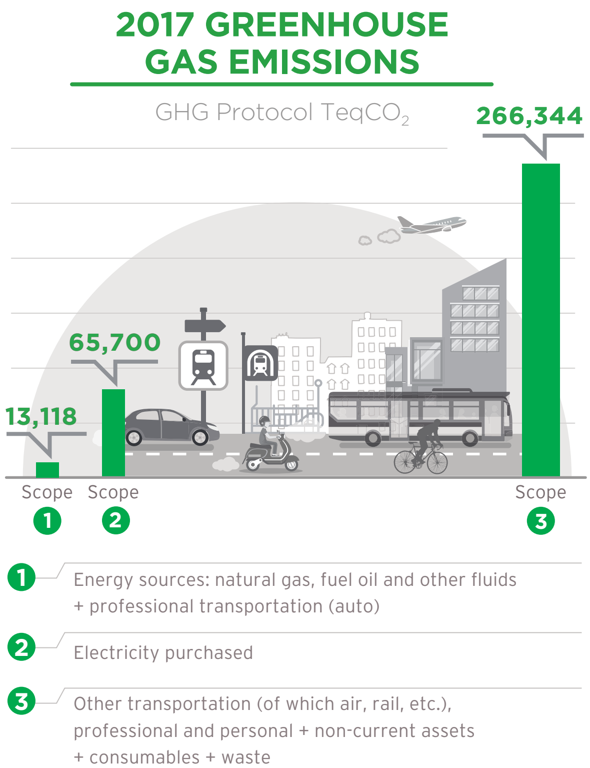
- water consumption is estimated at 750,122 m^3 – roughly 9.7 m^3 *per capita*. Given that water consumption data is always difficult to collect since some agencies rent premises in larger buildings, the main improvements concern washroom facilities (with the group wide installation of sensors). The Group has little influence over water supplies from municipal systems or from private operators, under more comprehensive long-term contracts;
- the volume of non-hazardous waste recycled is estimated at 4,438 metric tons. Most of this waste is paper and cardboard. It is recycled with traceability (some agencies have traceability in place for 100% of these volumes). Electronic waste is treated in WEEE recycling systems, in partnership with suppliers within the framework of materials recycling contracts;
- the issue of food waste has been addressed for a number of years now. In all of the Group's agencies, employees are encouraged to make this issue a part of their daily lives and to support sharing initiatives. For example, in the late afternoon, employees can go to the cafeteria (or kitchen or coffee room) to collect untouched food left over from meetings. The aim is to avoid throwing food away. Contract catering partners are selected on the basis of this criterion. In France, Sodexo, which is the Group's partner, including for the Champs Elysées and Bastille sites, is extremely proactive both in its own production chain (from upstream to downstream) and in its communications campaigns designed to raise the awareness of its employees and clients to food waste issues in corporate canteens.

3.5.3 Review of greenhouse gas emissions

For the eighth edition, the greenhouse gas emissions review based on the GHG protocol method was calculated with the assistance of Bureau Veritas based on data collected by all Group entities (98%).

Note from Bureau Veritas: The method used to calculate the Greenhouse Gas (GHG) Protocol is based on average emission factors and as such includes a certain degree of uncertainty. It therefore provides estimates in order of magnitude with the aim of promoting actions to reduce greenhouse gas emissions and measure the progress made. The degree of uncertainty when making the Publicis Groupe GHG emissions assessment for 2016 is estimated at 20%.

The total of scopes 1 + 2 + 3 for 2017 is 345,165 $TeqCO_2$, which makes for a carbon intensity of 4.44 $TeqCO_2$ *per capita*.



Summary table of environmental indicators

(Multi-year data trends available on the Group site, in the CSR section of the CSR Smart Data page.)

Indicators	Unit	2015	2016	2017	2030 targets
Group headcount		77,574	78,913	77,767	
Scope 1	TeqCO_2	9,453	12,374	13,118	-
Scope 2	TeqCO_2	86,315	78,890	65,702	-
Scope 3	TeqCO_2	285,499	284,851	266,344	-
Scope 1+2+3	TeqCO_2	381,266	376,115	345,165	-
Carbon intensity	TeqCO_2	5.00	4.77	4.44	3.28
Electricity consumption	MWh	196,641	171,288	158,132	-
Energy intensity *per capita*	MWh	2.7	2.2	2.1	2.19
Renewables as a percentage of total consumption	%	25%	25%	34%	27%
Water consumption	m^3	859,398	826,356	750,122	-
Water *per capita*	m^3	12.1	11	9.7	-
Total volume of waste	metric tons	5,190	5,342	4,438	-
Waste *per capita*	metric tons	0.07	0.07	0.05	-
Paper consumption	metric tons	1,410	1,271	1,100	-
Paper *per capita*	metric tons	0.02	0.02	0.01	-
Total in thousands of kilometers traveled	thousand km	1,210,712	1,254,767	1,200,429	-
Travel *per capita*	thousand km	15.6	15.9	15.4	-
Business trips	thousand km	707,804	765,792	688,527	-
Commute	thousand km	502,908	488,975	512,132	-

3.6 ASSESSMENTS AND NON-FINANCIAL PERFORMANCE

The improvement in the non-financial performance of the Publicis Groupe in recent years underpins the progress accomplished by the Group in the different registers. The reporting structure, processes and results are audited by an external auditor, SGS. The entire approach is also assessed by financial analysts, management companies and investors within the context of their ESG analysis, as well as by current and prospective Group clients (questionnaire, site audits, etc.) and by various sustainable development players whose assessments may be published (public organizations, ratings agencies, students and teachers, etc.). Finally, the Publicis Groupe is listed in several indices, including: FTSE4Good, Gaïa, Euronext Vigeo Eiris, Ethibel Excellence, ECPI Index, Gaïa Index, and is assessed annually by de RobecoSAM (DJSI), MSCI, Sustainalytics, Standard Ethics, Oekom, Cadmos, CDP, Trucost, EcoVadis, Ethics & Boards, etc.

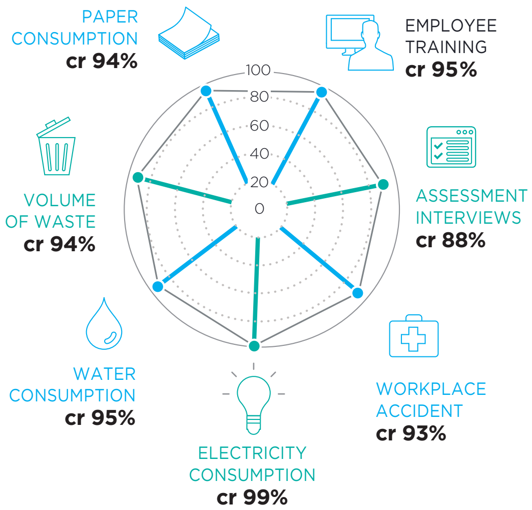
3.7 CSR REPORTING METHODOLOGY

Scope and process

CSR reporting hinges on data collected within the Group's 840 entities and, since 2009, across a scope corresponding to 98% of the Group's workforce (the exclusions being mainly entities acquired within the last six months). This scope has always been aligned with the net financial reporting scope of consolidated subsidiaries.

2017 CSR reporting focuses on the period from January 1 to December 31, 2017, and is based on one year.

SPECIFIC COVERAGE RATES



Quantitative data is collected in accordance with financial reporting rules and processes *via* a dedicated module (HFMCSRGRI) incorporated into the financial information system. This data is under the responsibility of Financial Solutions Directors.

Qualitative data is collected *via* a new dedicated internal tool (NAXOS) which is accessible to all of the agencies. Qualitative data is placed under the responsibility of the Chief Talent Officers (CTOs or HRD) of the Solutions.

Both of these tools are linked in order to ensure consistency and run materiality tests.

As stated in the introduction, the scope of impacts includes the Company and all its subsidiaries (98%), as well as some third-parties associated with digital activities for clients (e.g. servers), and integrates a part of the supply chain and some suppliers (EcoVadis assessment).

The aim of the project is to find a way of modeling that would give a meaningful appraisal of the impacts of the work carried out by the agencies. This is still relevant despite the difficulties encountered relating to the intangible nature of the Group's intellectual activities together with the different types of capital used: intellectual, human, social and financial, etc.

Organization of CSR reporting process and governance

Prior to the reporting process, the shared services center teams (Re:Sources) are closely involved. The internal guide entitled "2017 CSR Guidelines" defines the collection and validation processes at the different levels required, as well as the content of the various indicators taken into account (over 90 quantitative and qualitative indicators). This manual was distributed to a cross-functional working group of roughly 100 people working in various Solutions. It was also presented during webinar sessions held between November 2017 and January 2018 with a level of participation of over 1,000 contributors.

All of the quantitative data and qualitative information is then checked and analyzed by the Group CSR department, who coordinate and carry out the consolidated reporting. This department is steered by an internal CSR Steering Committee bringing together the Group's key central corporate functions (finance, HR, audit, legal affairs, procurement, etc.). The Internal Control and Internal Audit teams ensure, during the course of their work carried out throughout the year, that the agencies correctly implement the CSR reporting processes.

The CSR Report is checked by outside auditors (see the report at the end of this section) who audit the consolidated data and processes and, in 2017, SGS conducted 46 on-site audits in Group agencies: The total number of employees in the United States, Costa Rica, the United Kingdom, France, India, China and Malaysia represent more than 33.5% of the headcount. The final stage of the assessment was carried out at Group level (98%).

Guidelines

Non-financial reporting was prepared according to the directions set out by Decree 2012-557, dated April 24, 2012, applying to the application of article 225 of the Grenelle II Act, 2010-788, dated July 12, 2010, pertaining to corporate social and environmental transparency obligations and auditing methods. This reporting includes information arising from more recent laws on energy transition and green growth, or on the fight against food waste, as well as on modernizing social dialog and safeguarding career paths. In 2017, this also integrates the law regarding Duty of Care and the Sapin 2 Law. This reporting also takes into account European Directive 2014/95/EU concerning the disclosure of non-financial information, as well as information relative to diversity and the EU General Data Protection Regulation (GDPR).

The other guidelines that the Group voluntarily follows are:

- the Global Reporting Initiative (GRI) standard, which is the main structure that the Group has followed since 2009;
- the ten Principles of the UN Global Compact, to which Publicis Groupe has been a signatory since 2003;
- the 17 United Nations Sustainable Development Goals – SDGs;
- the ISO 26000 guidelines, which the Group has followed since 2011 in order to better accommodate the views of stakeholders;
- the American SASB (Sustainability Accounting Standards Board) guidelines, drafted in 2014 for the technology and communications sector;
- the OECD guidelines for multinational enterprises (Recommendations for responsible business conduct in a global context) are also used as a reference;
- the United Nations "Caring for Climate" pledge signed by Publicis Groupe in 2007, as well as the pledge signed by the companies at the COP21 in Paris and confirmed in 2017;
- the Carbon Disclosure Project (CDP) endorsed by the Group on a voluntary basis since 2009 in order to contribute to the general effort to achieve transparency concerning the reduction in greenhouse gas emissions.

The cross-reference table with all of the guidelines used, and the CSR indicators grouped together according to the GRI grid, or the SDGs in the *ad hoc* CSR Smart Data tool are presented on the CSR page of the Group's corporate website.

The following table lists the 10 Sustainable Development Goals retained by the Group and its level of contribution to each one included in its strategy:

SDG	Amongst the objectives followed...	Shares
SDG 2 – Zero hunger	Eradicating food waste, promoting improved nutrition and encouraging sustainable agriculture.	Raising employee awareness of food waste and sustainable farming, and mobilizing them for causes that fight against hunger. Encouraging employees to mobilize in favor of SDG 2 (as part of Common Ground) and to cooperate with customers, partners and suppliers to achieve greater impact. 40 local projects were started in 2017. See www.publicisgroupeonetable.com.
SDG 3 – Good health and well-being	Providing medical protection; Monitoring the well-being of staff in their agency workplace.	Almost 100% of Group employees benefit from medical and healthcare cover, with the possibility of extending it to their spouse and children. The Group's agencies have almost all implemented activities to promote well-being at work.
SDG 4 – Quality education	Facilitating equal access to training programs; Ensuring employee employability; Improving skill levels and expertise.	67% of employees have been trained. Over 1,414,000 training program hours took place (27 hours per capita). 70% of training programs are on digital, data and technological innovations, to continuously improve the level of employee knowledge and skills.
SDG 5 – Gender equality	Proactive approach to promote the diversity of teams; A firm commitment to gender equality; The continued fight against all types of discrimination.	Improving the number of women in positions of responsibility (see diversity table); The continuation of numerous internal programs on diversity. A strong reaffirmation of the "Zero Tolerance" policy on discrimination, sexual harassment and inappropriate conduct. Work is underway regarding equal pay.
SDG 8 – Decent work and economic growth	Taking part in the creation of direct jobs; Ensuring real equal opportunities.	The Group employs almost 78,000 people worldwide (representing a total payroll of €5.9 billion). The principle of equal opportunities is part of the Group's culture and has been reinforced ("Rooney Rule") in the actions to promote diversity (recruitment, promotion, succession...).
SDG 10 – Reduced inequalities	Fighting against forced labor, child labor and human trafficking by joining forces with suppliers;	Commitment within the United Nations Global Compact since 2003: Reaffirmation of a commitment to the fight against forced labor, child labor and human trafficking. Committed vigilance plan to improve supplier monitoring on these issues.
SDG 12 – Responsible consumption and production	Taking part in raising awareness of the challenges of sustainable development in order to change behaviors towards more sustainable consumption.	Supporting our clients in their sustainable development projects is an integral part of our service offer, in order to inform and encourage changes in consumer behavior, as citizens-consumers are increasingly aware of these issues.
SDG 13 – Climate action	Reducing consumption and direct impacts; Helping to preserve natural resources.	For the last 8 years, the Group has adopted an environmental policy to reduce its impacts – "Consume less and better" – and aligns its objectives with the EU 2030 Climate and Energy strategy. Local actions support biodiversity conservation objectives.
SDG 16 – Peace, justice and strong institutions	Promoting the rule of law and the fight against corruption.	The fight against fraud, conflicts of interest and corruption has always been a central part of the Group's ethical principles. The Vigilance Plan will enable this monitoring to be extended to suppliers. The Group is an ardent defender of human rights and fundamental individual freedoms.
SDG 17 – Partnerships for achieving the goals	Continued cooperation with various organizations by placing our expertise at their disposal; Facilitating the roll-out of projects with a positive impact.	Publicis Groupe is a member of Common Ground, bringing together the 6 major global communications groups, with the aim of lending their expertise to promote the United Nations' Sustainable Development Goals. A dedicated program was created under ODD 2: "One Table".

3.8 EXTERNAL AUDIT REPORT

At the request of Publicis Groupe, SGS ICS carried out an audit of the information included in the Corporate Social Responsibility (CSR) report drawn up for the year ended December 31, 2017 in accordance with Decree no. 2012-557 dated April 24, 2012 relative to companies' social and environmental transparency obligations, with regard to the application of article 225 of Law no. 2010-788 dated July 12, 2010, of article 12 of Law no. 2012-387 dated March 22, 2012, of Law no. 2015-992 dated August 17, 2015 about energy transition for green growth, of Law no. 2016-138 dated February 11, 2016 about the struggle against food waste, of Law no. 2016-1088 dated August 8, 2016 about labor, social dialogue modernization and career security, of Decree no 2016-1138 dated August 19, 2016 pursuant to the application of article L. 225-102-1 of the French Commercial Code concerning environmental information which have to be present in company management reports and which amended article L. 225-102-1 of the French Commercial Code, and the Order of May 13, 2013 determining the procedure to be used by the independent third-party organization when conducting its mission.

It is the responsibility of the Management Board of Publicis Groupe to prepare a report concerning the management of the Company including social, environmental and societal information, to define the appropriate standards used for the collection of the quantitative or qualitative data, and to ensure their provision.

The responsibility of SGS ICS, as an independent body, accredited by COFRAC under number 3-1086 (available at www.cofrac.fr) is to attest to the presence in the CSR Report of all information provided for in article R. 225-105-1, express a reasoned opinion on, firstly, the sincerity of the information, and, secondly, the explanations given by the Company on the absence of certain information, and indicate the procedures implemented to accomplish our audit.

Nature and scope of the audit

SGS ICS' audit consists of:

- reviewing the statement on sustainable development policies in relation to sustainable development, as well as the social and environmental impacts of the Company's business activities, its cultural commitments and the actions that stem from these policies and commitments;
- comparing the list of information mentioned in the 2017 management report against the list set forth under article R. 225-105-1 and noting, where applicable, any missing information not accompanied by explanations as mentioned under the third paragraph of article R. 225-105;
- verifying that the Company has a data collection process in place to ensure that the information mentioned in the management report is complete and consistent, and identifying any irregularities.

SGS ICS conducted its audit of Publicis Groupe on an international scale including its subsidiaries and controlled companies, which are included in the consolidated financial statements.

Diligence

SGS ICS conducted its audit from December 15, 2017 to March 7, 2018 by carrying out interviews with key individuals involved in the collection, validation and publication of quantitative and qualitative from Publicis Groupe and several of its agencies which were audited on site in China (4 agencies), Costa Rica (2), the United States (18), France (7), the United Kingdom (6), India (6), Malaysia (3), representing 33.51% of the total headcount.

SGS ICS reviewed the reliability of the internal CSR Reporting Guidelines, as well as the internal control procedures and the data and information aggregation systems at site and group levels. 10 on-site auditors, an audit coach and a lead auditor were assigned to the audit which we conducted over a period of 68 business days.

With regard to quantitative data, we audited each site by using sampling techniques, verified the existence of data, verified calculations and calculation formulas and compared data with supporting documents for the following indicators selected according to their degree of relevance (legal compliance and consideration of business sector/industry), as well as their reliability and comprehensive nature:

- social indicators: diversity, percentage of employees receiving training, number of training hours (total of classroom-based and e-learning courses), training fees, absenteeism, occupational accidents (rate of frequency and severity);
- environmental indicators: Energy consumption, energy (total and *per capita*), share of renewable energy, paper consumption (total and *per capita*), non-recyclable waste, commuting by car;
- societal indicators: knowledge of Janus (the Publicis Code of Ethics), *pro bono* campaigns (total value).

Random checks were performed on quantitative and qualitative data during the final phase of consolidation of the Group's entire scope of consolidation (98% of total workforce covered).

With regard to qualitative information, we carried out interviews with the Secretary General and the CSR Department, as well as the Group's Financial, Investor Relations, Audit and Risk Management, Procurement and Legal Departments. We completed our audit with a documentary review of the CSR auditing processes used and the results of these audits, the Duty of Care plan, the Anti-Corruption plan and the Group's compliance with the European General Data Protection Regulation (GDPR) as well as random controls carried out across the entire auditing scope.

We believe that the sampling methods and sample sizes chosen for the audit allow us to formulate a conclusion of reasonable assurance.

Statement of independence and competence

SGS is the world leader in inspections, audits, assessments and certifications. Recognized as the global benchmark for quality and integrity, SGS employs more than 75,000 people and operates a network of more than 1,500 offices and laboratories around the world.

SGS ICS is a wholly-owned French subsidiary of the SGS Group. SGS ICS declares that its audit and findings were prepared in complete independence and impartiality with regard to Publicis Groupe and that the tasks performed were completed in line with the SGS Group's code of ethics and in accordance with the professional best practices of an independent third party.

Auditors are authorized and appointed to each audit assignment based on their knowledge, experience and qualifications.

The COFRAC accreditation received by SGS is recognized in Europe by the EA (European Co-operation for Accreditations) and worldwide by the IAF (International Accreditation Forum). In addition, third-party Sustainability Report Assurance (SRA) checks carried out by SGS in 15 countries are based on AA1000 accountability principles.

Statement and reasoned opinion

Based on Publicis Groupe's presentation regarding sustainable development policies, the social and environmental impacts of the Company's business activities, its social commitments and the diligence implemented:

- we certify that the information included in Publicis Groupe's 2017 management report is in compliance with the list set forth under article R. 225-105-1 and that any exceptions have been duly justified;
- we declare that we found no significant irregularity that would call into question the fair presentation of the information included in the 2017 management report.

Observations

Taking into account the Group's fragmented organization, and the fact that the scope of on-site audits represents more than 33.51% of the workforce, we observed a certain inconsistency in procedures, reliability and data depending on the size and maturity of the agency. Certain indicator definitions need to be clarified and some controls reinforced at the agency level in order to improve their consistency and comparability. These observations, however, have no bearing on what this data represents.

Signed in Arcueil, March 8, 2018

SGS ICS France
29 avenue Aristide Briand
F-94111 ARCUEIL Cedex

Inspection Manager
Olivier AUDEBERT

CHAPTER

4

Commentary on the financial year

The following developments are the main elements of the management report mentioned in article L. 451-1-2 of the French Monetary and Financial Code and in article 222-3 of the General Regulation of the AMF which must include the information mentioned in articles L. 225-100, L. 5-100-2, L. 225-100-3 and in the second paragraph of article L. 225-211 of the French Commercial Code.

Other information corresponding to required elements of the management report is to be found in Section 9.6 "Cross-reference table for the management report".

The following discussion should be read in conjunction with the consolidated financial statements and related notes. They contain information concerning the Group's future objectives which imply risks and uncertainties, including, in particular, those described in Section 1.8, "Risk factors".

4.1 INTRODUCTION

World economic growth continued to accelerate in the fourth quarter of 2017 and is expected to come in at 4% year-on-year. Acceleration is still quite significant in the Euro zone and Japan, whilst the United States is seeing a steady growth rate in excess of 2%. The slowdown in the United Kingdom is becoming evident. China continues to grow by between 6.5% and 7%. The ongoing firmness of oil and industrial commodities' prices is fueling the economic recovery in "commodity rich countries" like Brazil and Russia. The risk of deflation has all but disappeared and the risk is more likely to come from a rise in inflation, a sign of the strength of the economic upturn. Despite a small rise right at the end of the year and in early 2018, interest rates are still particularly low, testifying to monetary policies that continue to be conducive to growth in Europe and Japan.

In the United States, growth is still gradual, driven largely by household consumption. Outstanding consumer credit was up 8.8% at the end of December. Growth came in at 2.3% in the 3rd quarter, whilst inflation remained constrained at 1.6% in October. Exceptional climatic events did not have a significant effect on the US economy. Tax cuts, voted in by parliamentarians in late December, probably improved the mindset of households and businesses.

Growth in the Euro zone is in step with growth in the United States. It continues to be driven by Germany, whose GDP for the third quarter of 2017 was up 0.8% on the previous quarter, and 2.8% on the same quarter of 2016. Surveys carried out by private (Markit) and public (European Commission, ECB) bodies, all confirm that economic growth in the Euro zone is now above 2%, its highest level since the economic crisis. Inflation is still very low at around 1.5%.

In the United Kingdom, growth has commenced a marked slowdown. Growth in GDP stalled in comparison with the figures recorded by its main economic partners, standing at 1.7% in the 3rd quarter of 2017. Further signs of a weakening economy are beginning to appear: consumption was down 1% in December; new car sales plummeted, down 14% on the same month the previous year and down 5% in 2017. Inflation ushered in by the drop in sterling is undermining the purchasing power of households even though wages are stable. The uncertainties around the Brexit negotiations and implementation are impacting corporate investment.

The Japanese economy is growing: GDP was up 2.1% year-on-year in the 3rd quarter, its highest rate for two years. Industrial output was up 0.9% in November, whilst prices rose very gradually (less than 1% year-on-year). Shinzo Abe's "three arrows" policy seems to have finally hit the target, leading the Central Bank to reduce its interventions in the financial market.

In China, growth continued to be strong at 6.8% for the 3rd quarter and annual growth is likely to be close to that level. The CCP congress, held in October, confirmed China's desire to open up its economy to achieve higher, but more domestically oriented economic growth.

Oil prices have remained firm in the last three months, now that the price is over USD 60 a barrel. At the moment, the sharp increase in energy and industrial commodities' prices is enabling producer countries to return to growth, without weakening growth in consumer countries. It is both a reflection of, and a contributory factor to the strength of global growth.

In its latest estimates published in December 2017, Zenith confirmed its forecast of 4.0% growth in advertising investments in 2017. By region, North America is expected to grow by 3.6%, driven largely by Internet advertising (+14.7%) which is expected to account for 36% of the total media spend in 2017. Investment in television advertising is expected to remain almost unchanged at +0.4%. Western Europe is expected to see growth of 1.5% with an 8.7% increase in online advertising. By country, France should be up 2.0%, an improvement on the 1.7% recorded in 2016. Germany is estimated to be up 0.9% in 2017, down from the 3.0% increase witnessed in 2016, the slowdown being due to investment in television advertising which fell by 0.8% in 2017, compared with a rise of 3.1% in 2016, as a result of a drop in audience figures for the main channels. Growth is likely to remain modest in Italy (+0.7%) and in the United Kingdom (+0.7%). The Asia Pacific region is likely to increase by 5.3%, with a rise of 7.4% in China (45% of expenditure in the Asia Pacific region) and 9.7% in India. Japan (24% of expenditure for the region) is estimated to be up 2.5%. Latin America is expected to grow by 2.8% due to the impact of inflation, after a drop of 0.6% in 2016. Brazil should grow by +1.5% despite the Olympic Games staged in Rio in 2016 which makes an unfavorably high basis for comparison (+5.5% in 2016).

Publicis Groupe's consolidated revenue was euro 9,690 million in 2017, as compared to euro 9,733 million in 2016, down 0.4%. Growth at constant exchange rates was +1.3%. And organic growth stood at 0.8% in 2017.

The digital revolution offers numerous growth opportunities for the Group and its clients, but causes major upsets in relations with consumers and media players. Within this context, the Publicis Groupe is accelerating its own transformation and plans to be its clients' indispensable partner when it comes to their marketing and operational transformations. The Group has taken steps to stimulate growth and ensure tight cost control. Against a backdrop of modest growth, Publicis Groupe is more focused than ever on the robustness of its operating margin and on its ability to generate cash flow. The reorganization announced in December 2015 is aimed at achieving a more efficient cost structure by eliminating duplication. Various cost optimization programs are scheduled or already up and running: the simplification of the Group's structures subsequent to the reorganization, steps aimed at productivity gains, efforts to improve the margins of underperforming entities, measures in procurement and the continued regionalization of the Shared Services Centers. The ERP rollout, launched in France in July 2014, was finalized in early 2017. The aim of these optimization programs is to enable the Group to become more competitive and to release the funds needed to invest in growth, particularly in the field of Digital Business Transformation.

The operating margin was down 0.7% to euro 1,505 million. The operating margin rate fell slightly at 15.5%, down 10 basis points on 2016. At constant restructuring costs, the operating margin was up 2.4% and the operating margin rate by 40 base points.

Profit (loss), attributable to owners of the Company showed a profit of euro 862 million compared with a loss of euro 527 million in 2016. For the record, the 2016 result recognized a pre-tax impairment loss of euro 1,440 million.

Headline diluted earnings per share (as defined in Note 8 to the condensed consolidated annual financial statements) rose 0.9% to euro 4.50.

The balance sheet at December 31, 2017 shows net debt of euro 727 million after net debt of euro 1,244 million at December 31, 2016. Average net debt in 2017 was euro 1,980 million, versus an average of euro 2,385 million for 2016.

The dividend to be proposed at the General Shareholders' Meeting of May 30, 2018 will be euro 2.00 per share. It represents a payout ratio of 44.4% on diluted earnings per share and an increase of 8.1% over the previous year. Subject to the approval of the General Shareholders' Meeting, settlement of the dividend in cash or in shares, at the shareholder's option, will be made July 4, 2018.

4.2 ORGANIC GROWTH

When comparing its annual performances, Publicis Groupe measures the impact on reported revenue of changes in foreign currency exchange rates, acquisitions and disposals, and organic growth. Organic growth, which represents the increase in like-for-like revenue at constant exchange rates, is calculated as follows:

- revenue of the previous year is recalculated applying the current year average rate;
- revenue from acquisitions (net of revenue from any divested activities) is subtracted from the current year revenue, in order to neutralize the impact on growth of changes in Group scope.

The difference between the revenue for the current year, after subtraction of the revenue from acquisitions (net of that of divested activities) and the revenue of the previous year (translated at the current exchange rate) is compared with the revenue generated in the prior period to determine the percentage of organic growth.

The Group's management believes that the analysis of organic revenue growth provides a better understanding of its revenue performance and trends than reported revenue because it allows for more meaningful comparisons of current period revenue to that of prior periods. Also, like-for-like revenue is generally used in the industry as a key performance indicator.

Organic growth is unaudited and is not a measurement of performance under IFRS. It may not be comparable with similarly titled financial data of other companies.

Organic growth includes the impact of reclassifying certain production and events contracts on a "gross" basis (see details in Section 4.3.1 "Revenue").

(in euro millions)	Total
2016 REVENUE	**9,733**
Impact of exchange rates	(168)
2016 revenue at the 2017 exchange rate (a)	**9,565**
2017 revenue before impact of acquisitions(1)(b)	**9,639**
Revenue from acquisitions(1)	51
2017 REVENUE	**9,690**
ORGANIC GROWTH (B - A)/A(2)	**+0.8%**

(1) Net of disposals.

(2) For information: the impact of certain production and event contracts reclassified on a gross basis (originally treated on a net basis) was +40 basis points over 2017 (see below).

Organic growth stood at 0.8% in 2017. In a difficult economic climate, given the vast number of challenges faced by our clients, Publicis Groupe's organic growth was penalized by the loss of media accounts in 2016 and restructuring at SapientRazorfish. On the other hand, it benefited from the increasing contributions made by accounts won in 2016.

Organic growth for each quarter in 2017 was:

- first quarter: -1.2%;
- second quarter: +0.8%;
- third quarter: +1.2%;
- fourth quarter: +2.2%.

Additional information

The calculation of 2017 organic growth was made by applying the same method as for the previous fiscal years.

This calculation includes production and events operations (recorded in application of current IFRS) reclassified on a "gross" basis whilst they were originally treated as "net". No media or advertising operations were affected. The table below shows the impact of the reclassification of these contracts on a gross basis for each quarter of 2017.

The impact was modest, accounting for €33 million out of a total revenue of €9,690 million for the whole of 2017, representing a 40 basis point impact on organic growth.

(in millions of euros)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	12 months 2017
Revenue	2,328	2,515	2,264	2,583	9,690
Organic growth	-1.2%	+0.8%	+1.2%	+2.2%	+0.8%
of which, reclassification of contracts					
Impact on revenue	+23	+18	+15	-23	+33
Impact on organic growth	+90 bp	+80 bp	+70 bp	-90 bp	+40 bp

Additionally, it is important to note that IFRS 15 has been applied by the Group, as a mandatory accounting principle, as of January 1, 2018. As a result, Publicis Groupe revenue should increase by over €600 million, without a significant impact on results.

4.3 ANALYSIS OF THE CONSOLIDATED RESULTS

4.3.1 Revenue

Publicis Groupe's consolidated revenue at end-December 2017 was euro 9,690 million, down 0.4% from euro 9,733 million in 2016. Exchange rates impacted revenue negatively by euro 168 million, or 1.7% on 2016 revenue. Net acquisitions contributed euro 51 million to revenue in 2017, or 0.5% of 2016 revenue. Growth at constant exchange rates was +1.3%.

Organic growth stood at 0.8% in 2017. In a difficult economic climate, given the vast number of challenges faced by our clients, Publicis Groupe's organic growth was penalized by the loss of media accounts in 2016 and restructuring at SapientRazorfish. On the other hand, it benefited from the increasing contributions made by accounts won in 2016.

Breakdown of 2017 revenue by region

The following table shows the changes in the breakdown of revenue in Publicis Groupe's major markets of Europe and North America.

(in euro millions)	Revenue 2017	Revenue 2016	Organic growth
Europe	2,758	2,760	+1.3%
% of total	28%	28%	
North America	5,187	5,236	+0.5%
% of total	54%	54%	
Asia Pacific	1,060	1,085	-1.5%
% of total	11%	11%	
Latin America	389	365	+4.8%
% of total	4%	4%	
Africa and Middle East	296	287	+4.4%
% of total	3%	3%	
TOTAL	**9,690**	**9,733**	**+0.8%**

Europe saw revenue remain almost unchanged at -0.1%. When the impact of acquisitions and exchange rates is factored out, organic growth was +1.3%. There was strong momentum in the United Kingdom and Italy (+5.5% and +4.0% respectively). France was up 1.1%. Germany was down 6.9% as a result of a particularly unfavorable basis of comparison and a tough advertising market. In the 2nd half of 2017, Europe recorded a drop of 1.6% in organic growth, after growth of 4.3% at the end of June. This downturn was largely due to an unfavorable basis of comparison since, for the record, growth in Europe was over 6% in the 2nd half of 2016. The main Euro zone countries are experiencing a sharp slowdown compared with the end of June.

North America recorded organic growth of 4.4% in the 4th quarter, up sharply compared with the growth of 0.2% and 3.0% recorded in the 2nd and 3rd quarters respectively. The United States held up well, growing by 4.5% in the 4th quarter after an increase of 3.5% in the 3rd quarter, due to the increasing impact of accounts won in summer 2016 (including Lowe's, Synergy Pharmaceuticals, Walmart, USAA) as well as the effect of accounts won in the early part of the year (particular MolsonCoors and FirstNet). As announced, growth continued to be impacted by the restructuring of SapientRazorfish and the effect on revenue of the discontinuation of unprofitable contracts. Whole-year organic growth was +0.5% contrasting with the drop of 0.8% recorded in the first nine months of 2017. Given the weakening of the dollar against the euro, revenue was down 0.9% in 2017, on a reported basis.

Asia Pacific reported a decline of 2.3% and a drop in organic growth of 1.5%. China was down 7.6% due to the difficulties encountered by an agency whose sale was agreed in late 2017 and is due to be completed in the first few months of 2018. Business in Singapore was up 4.4%. In India, business is consolidating: after growth of 0.4% in the 1st quarter and 13.0% in the 2nd quarter, growth was up 3.9% and 5.2% in the 3rd and 4th quarters of 2017 respectively.

Latin America reported a rise of 6.6% and organic growth of 4.8%. Business was up 4.6% in Brazil in 2017 compared with a drop of 0.8% at the end of September, with the increasing effect of contracts won in the early part of the year (Bradesco, Petrobras). The first nine months of the year had also been affected by the unfavorable basis of comparison constituted by the Rio Olympic Games in 2016. Mexico experienced steady growth (+8.3%).

Middle East & Africa saw revenue grow by 3.1% with organic growth of 4.4%, driven by business in the United Arab Emirates which was up 7.7% in 2017.

4.3.2 Operating margin and operating income

Operating Margin

Personnel costs amounted to euro 5,977 million in 2017, down 1.4% from euro 6,059 million in 2016. They were down 2.1% at constant restructuring costs. Fixed personnel costs of euro 5,227 million represented 53.9% of total revenue, down from 54.1% in 2016. Freelance costs totaled euro 374 million in 2017, down from euro 444 million in 2016. Restructuring costs stood at euro 120 million in 2017 (euro 73 million in 2016) as the Group reorganizes, reflected by the increasing integration of structures and activities. Operational efficiency will be improved by the various projects in which the Group is investing (organization by country, the development of production platforms, the continued regionalization of its Shared Services Centers, as well as various technological developments). In addition, investments in the Group's flagship expertise, particularly in terms of data and technology, will be long-term growth drivers.

Other operating expenses (excluding depreciation and amortization) totaled euro 2,047 million for the period, after euro 1,992 million in 2016. These charges stand at 21.1% of consolidated revenue, up from 20.5% in 2016.

The operating margin before depreciation and amortization fell to euro 1,666 million in 2017 from euro 1,682 million in 2016, down 1.0%, *i.e.* a percentage operating margin of 17.2% of revenue (17.3% in 2016).

Depreciation and amortization was euro 161 million in 2017, down slightly on 2016.

The operating margin fell 0.7% to euro 1,505 million, from euro 1,516 million in 2016. It grew 0.7% at constant exchange rates. The operating margin rate was down 10 basis points compared to 2016 at 15.5%. This was due to restructuring expenses which were not offset by the drop in other operating expenses. At constant restructuring costs, the operating margin and operating margin rate would have increased by 2.4% and 40 basis points respectively.

The operating margin by region was 15.3% in Europe, 16.0% in North America, 14.2% in Asia Pacific, 16.5% in Latin America and 12.2% in the Middle East & Africa region.

Operating income

Amortization of intangibles arising from acquisitions totaled euro 73 million in 2017, down from euro 79 million in 2016. The Group recognized an impairment loss of euro 115 million in 2017, largely due to Genedigi and Proximedia. For the record, this loss was euro 1,440 million in 2016. Other non-recurring income (expenses) for the period netted out at a loss of euro 1 million, compared with income of euro 12 million in 2016.

Operating income for 2017 amounted to euro 1,316 million, versus euro 9 million in 2016.

4.3.3 Other income statement items

Financial income (expense), made up of net borrowing costs and other financial income and expenses, amounted to an expense of euro 61 million in 2017 compared with an expense of euro 74 million in 2016. The cost of net debt was euro 51 million in 2017, down from euro 74 million in 2016. Other financial income and expenses amounted to an expense of euro 10 million in 2017, up from an expense of zero in 2016.

The revaluation of earn-out costs totaled euro 66 million (versus euro 108 million in 2016).

Income tax expense was euro 312 million, down from euro 342 million in 2016. The 2017 tax burden included a net income of euro 61 million as a result of the impact of the US tax reform, which comprised the positive impact of the tax cut on net deferred assets (euro 200 million) as well as a toll charge on reserves accumulated by subsidiaries (euro 139 million). When this non-recurring element is factored out, the effective income tax rate stood at 27.2% compared with an effective rate of 29.0% in 2016.

The share of profit of equity-accounted entities was a loss of euro 5 million, as in 2016. Non-controlling interests totaled euro 10 million in 2016 versus euro 7 million in 2016.

In total, profit loss attributable to owners of the Company was a euro 862 million profit in 2017, compared with a euro 527 million loss in 2016.

4.4 FINANCIAL AND CASH POSITION

4.4.1 Cash flows

Net cash flow from operating activities amounted to an inflow of euro 1,487 million in 2017, versus euro 1,072 million the previous year. Income tax paid over the period totaled euro 264 million, after euro 257 million in 2016. Interest paid amounted to euro 90 million, down from euro 106 million in 2016. Interest received stood at euro 52 million, up from euro 40 million in 2016. There was an improvement in working capital requirements of euro 69 million, compared with a deterioration in working capital of euro 355 million in 2016.

Net cash flow from investments includes acquisitions and disposals of tangible and intangible assets, net acquisitions of financial assets and acquisitions and disposals of subsidiaries. Net cash flow from investment activities was a net use of euro 417 million in 2017, after a use of euro 411 million in 2016. Net investments in fixed assets (tangible and intangible) amounted to euro 131 million for the period, after euro 166 million in 2016. The amount (net of disposals) devoted to acquiring subsidiaries rose to euro 288 million from euro 233 million in 2016.

Financing activities generated a requirement of euro 514 million in 2017, after a requirement of euro 237 million the previous year. The increased requirement was largely due to net share buybacks and stock warrants in 2017 amounting to euro 291 million.

Overall, the Group's cash position net of positive bank balances increased by euro 177 million in 2017, after a euro 550 million increase in 2016.

Free cash flow

The Group's free cash flow, before changes in working capital requirements, rose 2.1% over 2015 to reach euro 1,287 million.

The Group uses this indicator to measure liquidity generated by the business after investments in fixed assets but before acquisitions and disposals of equity interests and before financing (including the financing of working capital requirements).

The table below shows how the Group's free cash flow is calculated (before changes in working capital requirements).

(in euro millions)	2017	2016	2017 vs. 2016
Operating margin before depreciation & amortization	**1,666**	**1,682**	
Net interest paid	(38)	(66)	
Taxes paid	(264)	(257)	
Others	54	68	
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL REQUIREMENTS	**1,418**	**1,427**	**-0.6%**
Investments in fixed assets (net)	(131)	(166)	
FREE CASH FLOW BEFORE CHANGES IN WORKING CAPITAL REQUIREMENTS	**1,287**	**1,261**	**+2.1%**

4.4.2 Group share capital and debt (long- and short-term)

The Group's share of consolidated shareholders' equity went from euro 6,055 million as at December 31, 2016 to euro 5,956 million as at December 31, 2017, after taking into consideration net share buybacks and dividend payments of euro 470 million in 2017.

Net debt

(in euro millions)	12/31/2017	12/31/2016
Financial debt (long- and short-term)	3,130	3,311
Fair value of the derivative hedging the 2021 and 2024 Eurobonds[(1)]	(10)	164
Impairment of hedging derivatives on medium-term syndicated loan[(1)]	(3)	-
Fair value of the derivatives hedging intra-group loans and borrowings[(1)]	17	(3)
TOTAL FINANCIAL LIABILITIES INCLUDING THE MARKET VALUE OF ASSOCIATED DERIVATIVES	**3,134**	**3,472**
Cash and cash equivalents	(2,407)	(2,228)
NET DEBT	**727**	**1,244**
DEBT/EQUITY RATIO (INCLUDING NON-CONTROLLING INTERESTS)	**0.12**	**0.21**

(1) Carried under "Other receivables and current assets" and/or under "Other debts and current liabilities" on the consolidated balance sheet.

Net debt totaled euro 727 million at June 31, 2017 (*i.e.* a debt/equity ratio of 0.12), after euro 1,244 million at December 31, 2016. The drop in net debt was largely attributable to the generation of operational cash flow in a context of limited expenditures for capital improvements or acquisitions.

The Group's average net debt in 2017 was euro 1,980 million, versus euro 2,385 million for 2016.

The Group's gross consolidated debt was euro 3,130 million as at December 31, 2017, compared with euro 3,311 million as at December 31, 2016. This debt consisted of 89% long-term borrowings (see Note 22 to the consolidated financial statements as at December 31, 2017 for a detailed maturity schedule of Group debt).

The financial liabilities, after taking into account the interest rate swaps on the Eurobond and the medium-term syndicated loan, are essentially made up of fixed-rate borrowings (83% of the gross debt excluding debt related to long-term equity investments and commitments to buy out non-controlling interests as at December 31, 2017) with an average rate recorded for 2017 of 3.0%.

Debt breakdown by currency (after currency swaps) as at December 31, 2017 was as follows: euro 974 million denominated in euros, euro 2,002 million denominated in US dollars, and euro 154 million denominated in other currencies.

In December 2005, the Group established financial ratio targets meant to direct the Group's financial policy on such matters as acquisitions and dividends. These ratios were complied with at the end of the financial year, as the following table shows:

	Optimal ratio	Dec. 31, 2017	Dec. 31, 2016
Average net debt/operating margin before depreciation and amortization	< 1.50	1.2	1.4
Net debt/equity	< 0.5	0.12	0.21
Interest coverage: operating margin before depreciation and amortization/cost of net financial debt	> 7	33	23

4.4.3 Terms of borrowings and financing structure of the Group

In order to manage its liquidity risk, Publicis has substantial cash and cash equivalents amounting to euro 2,407 million and confirmed unused credit lines amounting to euro 2,678 million as of December 31, 2017. The main component of these credit lines is a multi-currency syndicated facility in the amount of euro 2,000 million, maturing in 2020.

These immediately available or almost immediately available amounts allow the Group to pay its financial debt maturing in less than one year (including non-controlling interests buyout commitments).

In addition, issuing a bond in November 2016 of euro 500 million maturing November 2023 made it possible to repay in part the dollar 1.6 billion loan taken in 2015 to finance the Sapient acquisition.

Group cash management continued to benefit from the introduction of local centralized cash-pooling centers in the Group's main markets. Since 2006, an international cash pooling structure has been implemented with the goal of pooling all cash for the Group as a whole.

Two financial companies established in Dublin since 2014 have been added to the Group to manage financial transactions and the short-term investing of subsidiaries' liquidity. In 2017, one of these two companies, MMS MES DAC, became the lynchpin of the centralization of international cash pooling for the entire Group. The other company, MMS Ireland DAC, whose functional currency is the dollar, became the lynchpin of the centralization of cash pooling for most of the Group's US entities.

The Group's cash resources are, for the most part, centralized in Ireland. Cash resources not centralized in Ireland are, for the most part, held by subsidiaries in countries where funds can be freely transferred and centralized.

Since December 2005, the Group has been rated by the two leading international credit rating agencies, Standard & Poor's and Moody's. On the date of this Registration Document, the ratings are: BBB+ for Standard & Poor's and Baa2 for Moodys.

It should be noted that in the context of the Sapient acquisition, the two rating agencies, Standard & Poor's and Moody's, have confirmed their current ratings of the Group.

See also Notes 22 and 26 to the consolidated financial statements (Section 5.6 "Notes to the consolidated financial statements").

4.4.4 Restrictions on use of capital

As of December 31, 2017 and the date of the closing of accounts, there were no rating triggers or financial covenants for short-term bank credit lines, syndicated loans, confirmed medium-term bilateral bank credit lines or bond debt likely to restrict the Group's liquidity.

There are no legal or economic restrictions likely to limit or significantly restrict any transfers of funds to the parent company in the near future.

4.4.5 Sources of financing

Given its cash position and its confirmed unused credit lines amounting to euro 5,085 million at December 31, 2017, the Group has the necessary cash resources to meet its operating requirements and investment plan over the next 12 months.

4.5 PUBLICIS GROUPE SA (PARENT COMPANY OF THE GROUP)

Total operating income stood at euro 82 million in 2017, compared with euro 31 million in 2016. In addition to billings it consists exclusively of rental income from property, fees for services to the Group's subsidiaries, reversals of provisions and reinvoiced expenses. The increase in this last item (reinvoiced expenses), which was very marked in 2017, is associated with the reinvoicing of entities using free shares and stock options awarded under certain free share plans which were more numerous this year than in previous years. The increase in reinvoiced expenses finds its counterpart under personnel expenses where the cost of these plans is reported.

Financial income totaled euro 188 million, compared with euro 361 million the previous year. The drop was mainly due to dividends received from subsidiaries which stood at euro 72 million in 2017 compared to euro 215 million in 2016.

Operating expenses totaled euro 84 million in 2017 up from euro 30 million the previous year, the increase being largely due to the cost of the plans – reinvoiced in full – referred to above.

Financial expense totaled euro 153 million, down from euro 158 million the previous year.

Pre-tax profit from recurring operations was euro 34 million in 2017, down from euro 203 million in 2016.

After inclusion of euro 49 million in income resulting from tax consolidation in France and from the repayment of tax on dividends, Publicis Groupe, the parent company of the Group, reported a net profit of euro 82 million at December 31, 2017, compared with a net profit of euro 220 million at December 31, 2016.

Information on client payment terms referred to in article D. 441-4

	Invoices issued but not settled on the reporting date for the financial year in which the due date expired					
	0 days	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payment tranches						
Number of invoices involved	0					1
Total amount of invoices involved, inc. tax	0	11,911	0	0	0	11,911
Percentage of billings, inc. tax, for the financial year	0	0.02%	0	0	0	0.02%
(B) Invoices not included in (A) relating to bad debts and receivables or bad debts and receivables that have not been recognized in the financial statements						
Number of invoices not included						0
Amount of invoices not included						0
(C) Reference payment periods used (contractual or legal – article L. 441-6 or article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments:						Contractual payment periods, i.e. payment at 60 days for clients outside the Group and at 30 days for Group clients.

Information on supplier payment periods (article 441-6-1 of the French Commercial Code)

	Invoices received but not settled on the reporting date for the financial year in which the due date expired					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment tranches						
Number of invoices involved	2					7
Total amount of invoices involved, inc. tax	39,600	47,126			792	47,917
Percentage of the total amount of purchases, inc. tax. for the year	0.33%	0.39%			0.01%	0.40%
(B) Invoices not included in (A) relating to bad debts and receivables or bad debts and receivables that have not been recognized in the financial statements						
Number of invoices not included						17
Total amount of invoices not included						201,682.43
(C) Reference payment periods used (contractual or legal – article L. 441-6 or article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments:	Contractual payment periods, i.e. those written on our purchase orders, range from cash to payment at 60 days, in accordance with maximum legal requirements.					

Allocation of 2017 net income and setting the dividend

The General Shareholders' Meeting called to approve the 2017 financial statements on May 30, 2018, will be asked to appropriate distributable earnings, which consist of:

- profit for 2017 euro 82,349,248.98
- less increase to the statutory reserve euro 187,293.52
- plus retained earnings brought forward at December 31, 2017 euro 198,681,835.39

Or total **distributable earnings of** **euro 280,843,790.85**

Plus a portion of **additional paid-in capital euro** **180,411,659.15**

I.e. **a total of euro 461,255,450.00 distributed to shareholders** (based on a dividend of euro 2.00 per share and 230,627,725 shares, which figure includes treasury shares, counted at December 31, 2017).

4.6 DIVIDEND DISTRIBUTION POLICY

Dividend paid for year	Number of shares that received dividends[(1)]	Dividend per unit *(in euro)*	Total distribution *(in euro millions)*	Share price at December 31 *(in euros)*	Yield
2013	208,639,984	1.10	229.5	66.51	1.65%
2014	209,343,987	1.20	251.8	59.64	2.01%
2015	222,234,679	1.60	355.6	61.38	2.61%
2016	223,642,509	1.85	413.7	65.55	2.82%
2017	**230,627,725**[(1)]	**2.00**[(2)]	**461.3**	**56.65**	**3.53%**

(1) Number of dividend-bearing shares after deducting treasury shares, except for the 2017 appropriation, which includes treasury shares existing as at December 31, 2017.

(2) Dividend proposed at the GSM of May 30, 2018.

The dividends will be time-barred after five years. They are then paid to the French state.

In 2014, the Company raised its medium-term payout ratio commitment, set at 35% until that point, to 42%, reflecting its determination to reach the average payout ratio for its industry. In order to honor this commitment, the dividend in respect of 2014, 2015 and 2016 was euro 1.20, 1.60 and then 1.85 per share, which represents a payout ratio of 33.0%, 36.4% and 41.5% respectively of diluted earnings per share. With the aim of further increasing the payout ratio in line with competitor practices, a proposal will be made to increase the dividend to euro 2.00 per share for 2017, which represents a payout ratio of 44.4% of diluted headline earnings per share and an increase of 8.1% over the previous year. Subject to the approval of the General Shareholders' Meeting of May 30, 2018 and in line with the proposals for the five previous years, the dividend will be paid in cash or in shares as the shareholder chooses.

4.7 OUTLOOK

The trends described below do not constitute forecasts or profit estimates as defined by modified European Regulation no. 809/2004 of April 29, 2004 used in application of directive 2003/71/00 of the European Parliament and Council of November 4, 2003.

Although 2017 was another challenging year for the industry, it highlighted once again the Group's ability to fight on several fronts at the same time, namely to deliver the results expected of it whilst in the midst of its transformation.

Organic growth improved throughout 2017, as did the operating margin (at constant restructuring costs). The proposed dividend of euro 2 represents an 8.1% increase and is a reflection of the Group's confidence in the future.

The Group's ongoing transformation is now at full throttle, and the new model constructed by the Publicis Groupe is already an indication of its attractiveness, as demonstrated by the arrival of new talents and new business.

On the occasion of its Investor Day on March 20, 2018, Publicis Groupe presented its strategy and its execution plan: Sprint To The Future. The Publicis Groupe Supervisory Board approved the plan and fully supports the strategy.

Publicis Groupe has implemented three strategic game changers in order to offer all of its clients one-to-one consumer engagement at scale (large-scale personalized client relationships):

- data, with the Publicis PeopleCloud platform;
- content, with expertise in dynamic creativity;
- technology and consulting, with expertise in digital business transformation.

In addition, Publicis Groupe has the unique ability to integrate the three strategic game changers thanks to its The Power of One organization focused on clients and deployed by country.

The Group wants to increase shareholder value *via* an acceleration in the growth of headline earnings per share (diluted) over 2018-2020 using three levers:

- an acceleration in organic growth;
- increased margins; and
- targeted acquisitions.

The goal is to ensure an accelerating organic rate of growth over the 2018-2020 period with the goal of achieving +4% in 2020, *i.e.* additional revenue of €900 million over the next three years. The acceleration will come from:

- revenue generated by the three strategic game changers in the amount of €650 million with the first 100 clients;
- revenue generated by cross-selling with existing clients and new business with new customers for €600 million. These two elements should largely offset the €350 million decrease in more mature businesses.

Publicis Groupe also intends to increase its operating margin by 30 to 50 basis points per year until 2020. This goal includes a cost reduction program of €450 million fully aligned with the Group's strategy. The savings are closely linked to precise aspects of the cost structure, *i.e.* :

- the resizing of mature businesses;
- capacity and planning;
- shared resources;
- country support functions;
- real estate; and
- procurement.

An execution plan dedicated to the program has been implemented with a leadership team, project leaders and a Group Executive Committee sponsor.

The cost-cutting program will provide financing for the operational investment plan of €300 million over the 2018-2020 period to support growth from the strategic game changers. The investments will be primarily dedicated to developing Group talent *via* recruiting, training, development and retraining.

As part of its transformation, Publicis Groupe will strengthen its expertise in data, dynamic creativity and digital business transformation. Certain acquisitions could be necessary to extend the Group's geographical presence. To do so, Publicis Groupe is putting in place a targeted acquisition plan in the amount of €300-€500 million per year over 2018-2020. The Group has demonstrated its careful approach to acquisitions over the years, and the contribution of future acquisitions to results will have a positive impact on the growth of the Group's headline earnings per share (diluted) over the period. Publicis Groupe will support shareholder value creation by implementing a share buyback program in the event that the amount of acquisitions is at the lower end of the investment range indicated.

Publicis Groupe is targeting accelerating growth of 5% to 10% in headline earnings per share (diluted) per year over the next three years, at constant exchange rates, thanks to continuous improvement in organic growth, growth in margins and the contribution of acquisitions to results.

The generation of free cash flow should remain stable and the balance sheet robust. With a payout ratio of about 45%, the growth in dividends should accelerate over the coming three years.

This improvement in financial performance will position Publicis Groupe as the market leader in marketing and business transformation.

CHAPTER

5

Consolidated financial statements 2017 Year

5.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Notes	2017	2016
REVENUE		**9,690**	**9,733**
Personnel expenses	3	(5,977)	(6,059)
Other operating expenses	4	(2,047)	(1,992)
OPERATING MARGIN BEFORE DEPRECIATION AND AMORTIZATION		**1,666**	**1,682**
Depreciation and amortization expense (excluding intangibles arising from acquisitions)	5	(161)	(166)
OPERATING MARGIN		**1,505**	**1,516**
Amortization of intangibles arising from acquisitions	5	(73)	(79)
Impairment loss	5	(115)	(1,440)
Non-current income and expenses	6	(1)	12
OPERATING INCOME		**1,316**	**9**
Financial expenses	7	(101)	(107)
Financial income	7	50	33
COST OF NET FINANCIAL DEBT	**7**	**(51)**	**(74)**
Revaluation of earn-out payments on acquisitions	7	(66)	(108)
Other financial income and expenses	7	(10)	-
PRE-TAX INCOME OF CONSOLIDATED COMPANIES		**1,189**	**(173)**
Income taxes	8	(312)	(342)
NET INCOME OF CONSOLIDATED COMPANIES		**877**	**(515)**
Share of profit of associates	13	(5)	(5)
NET INCOME		**872**	**(520)**
Of which:			
• Net income attributable to non-controlling interests		10	7
• **Net income attributable to equity holders of the parent company**		**862**	**(527)**

Per share data *(in euros)* **– Net income attributable to equity holders of the parent company**	9		
Number of shares		*226,384,707*	*223,498,871*
Earnings per share		3.81	(2.36)
Number of diluted shares		*230,673,578*	*223,498,871*
Diluted earnings per share		3.74	(2.36)

5.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euros)	2017	2016
PROFIT (LOSS) FOR THE YEAR (A)	872	(520)
Comprehensive income that will not be reclassified to income statement		
• Actuarial gains (and losses) on defined benefit plans	13	(4)
• Deferred taxes on comprehensive income that will not be reclassified to income statement	28	14
Comprehensive income that may be reclassified to income statement		
• Revaluation of available-for-sale investments and hedging instruments	(9)	31
• Consolidation translation adjustments	(597)	100
TOTAL OTHER COMPREHENSIVE INCOME (B)	(565)	141
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A) + (B)	**307**	**(379)**
Of which:		
• Total comprehensive income attributable to non-controlling interests	5	7
• Total comprehensive income attributable to equity holders of the parent company	302	(386)

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5.3 CONSOLIDATED BALANCE SHEET

(in millions of euros)	Notes	December 31, 2017	December 31, 2016
Assets			
Goodwill, net	10	8,450	9,150
Intangible assets, net	11	1,124	1,345
Property, plant and equipment, net	12	590	640
Deferred tax assets	8	130	150
Investments in associates	13	64	87
Other financial assets	14	169	182
NON-CURRENT ASSETS		**10,527**	**11,554**
Inventories and work in progress	15	385	406
Trade receivables	16	9,750	10,010
Other current receivables and assets	17	649	698
Cash and cash equivalents	18	2,407	2,228
Assets held for sale	2	62	-
CURRENT ASSETS		**13,253**	**13,342**
TOTAL ASSETS		**23,780**	**24,896**
Equity and liabilities			
Share capital		92	90
Additional paid-in capital and retained earnings, Group share		5,864	5,965
Equity attributable to holders of the parent company	**19**	**5,956**	**6,055**
Non-controlling interests		2	10
TOTAL EQUITY		**5,958**	**6,065**
Long-term borrowings	22	2,780	3,028
Deferred tax liabilities	8	419	649
Long-term provisions	20	591	556
NON-CURRENT LIABILITIES		**3,790**	**4,233**
Trade payables		11,541	11,992
Short-term borrowings	22	350	283
Income taxes payable		204	88
Short-term provisions	20	107	130
Other creditors and current liabilities	23	1,814	2,105
Liabilities held for sale	2	16	-
CURRENT LIABILITIES		**14,032**	**14,598**
TOTAL EQUITY AND LIABILITIES		**23,780**	**24,896**

5.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	2017	2016
Cash flows from operating activities		
Net income	872	(520)
Neutralization of non-cash income and expenses:		
Income taxes	312	342
Cost of net financial debt	51	74
Capital (gains) losses on disposals (before tax)	-	(9)
Depreciation, amortization and impairment loss on property, plant and equipment and intangible assets	349	1,685
Share-based compensation	55	55
Other non-cash income and expenses	74	115
Non-cash expenses on stock options and similar items	5	5
Dividends received from associates	2	3
Taxes paid	(264)	(257)
Interest paid	(90)	(106)
Interest received	52	40
Change in working capital requirements[1]	69	(355)
NET CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (I)	**1,487**	**1,072**
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(136)	(173)
Disposals of property, plant and equipment and intangible assets	5	7
Purchases of investments and other financial assets, net	2	(12)
Acquisitions of subsidiaries	(289)	(240)
Disposals of subsidiaries	1	7
NET CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (II)	**(417)**	**(411)**
Cash flows from financing activities		
Dividends paid to holders of the parent company	(170)	(193)
Dividends paid to non-controlling interests	(10)	(20)
Proceeds from borrowings	19	513
Repayment of borrowings	(27)	(517)
Net purchases of non-controlling interests	(35)	(44)
Net (purchases)/sales of treasury shares and warrants	(291)	24
NET CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (III)	**(514)**	**(237)**
Impact of exchange rate fluctuations (IV)	**(379)**	**126**
CHANGE IN CONSOLIDATED CASH AND CASH EQUIVALENTS (I + II + III + IV)	**177**	**550**
Cash and cash equivalents on January 1	2,228	1,672
Bank overdrafts on January 1	(25)	(19)
Net cash and cash equivalents at beginning of year (V)	**2,203**	**1,653**
Cash and cash equivalents on December 31 (Note 18)	2,407	2,228
Bank overdrafts on December 31 (Note 22)	(27)	(25)
Net cash and cash equivalents at end of year (VI)	**2,380**	**2,203**
CHANGE IN CONSOLIDATED CASH AND CASH EQUIVALENTS (VI - V)	**177**	**550**
(1) Breakdown of change in working capital requirements		
Change in inventory and work in progress	*(17)*	*28*
Change in trade receivables and other receivables	*(693)*	*(222)*
Change in accounts payable, other payables and provisions	*779*	*(161)*
Change in working capital requirements	**69**	**(355)**

5.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Number of outstanding shares	*(in millions of euros)*	Share capital	Additional paid-in capital
221,323,901	**January 1, 2016**	**89**	**3,262**
	Net income	-	-
	Other comprehensive income, net of tax	-	-
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-
2,742,448	Dividends	1	161
462,580	Share-based compensation, net of tax	-	-
	Effect of acquisitions and commitments to buy out non-controlling interests	-	-
199,619	Equity warrant exercise	-	6
639,236	Purchases/sales of treasury shares	-	-
225,367,784	**DECEMBER 31, 2016**	**90**	**3,429**
	Net income	-	-
	Other comprehensive income, net of tax	-	-
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
3,992,216	Dividends	2	242
383,457	Share-based compensation, net of tax	-	-
	Effect of acquisitions and commitments to buy out non-controlling interests	-	-
306,665	Equity warrant exercise	-	9
(3,754,317)	Purchases/sales of treasury shares	-	-
226,295,805	**DECEMBER 31, 2017**	**92**	**3,680**

Reserves and earnings brought forward	Translation reserve	Fair value reserve	Equity attributable to the holders of the parent company	Non-controlling interests	Total equity
2,928	**155**	**122**	**6,556**	**27**	**6,583**
(527)	-	-	(527)	7	(520)
-	100	41	141	-	141
(527)	**100**	**41**	**(386)**	**7**	**(379)**
(355)	-	-	(193)	(20)	(213)
58	-	-	58	-	58
(4)	-	-	(4)	(4)	(8)
-	-	-	6	-	6
18	-	-	18	-	18
2,118	**255**	**163**	**6,055**	**10**	**6,065**
862	-	-	862	10	872
-	(592)	32	(560)	(5)	(565)
862	**(592)**	**32**	**302**	**5**	**307**
(414)	-	-	(170)	(10)	(180)
53	-	-	53	-	53
7	-	-	7	(3)	4
-	-	-	9	-	9
(300)	-	-	(300)	-	(300)
2,326	**(337)**	**195**	**5,956**	**2**	**5,958**

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

Note 1 Accounting policies

Pursuant to European Regulation no. 1606/2002 of July 19, 2002 pertaining to international accounting standards, the 2017 consolidated financial statements were prepared in accordance with international IAS/IFRS standards and IFRIC interpretations applicable on December 31, 2017 as approved by the European Union.

The financial statements for the 2017 financial year are presented alongside comparative figures for the 2016 financial year, which were also prepared under IAS/IFRS.

The financial statements were approved by the Management Board on February 2, 2018 and reviewed by the Supervisory Board on February 7, 2018. They will be submitted for approval by the shareholders at the General Shareholders' Meeting on May 30, 2018.

1.1 Impact of IFRS standards and IFRIC interpretations taking effect as of January 1, 2017 and impact of published IFRS standards and IFRIC interpretations not yet in force

Compliance with IFRS standards as adopted by the European Union

The accounting principles applied in the preparation of the consolidated financial statements comply with IFRS standards and IFRIC interpretations, as adopted by the European Union as of December 31, 2017 and published on the following website:

http://ec.europa.eu/internal_market/accounting/legal_framework/regulations_adopting_ias_fr.htm

These accounting principles are consistent with those applied to prepare the annual consolidated financial statements for the financial year ending December 31, 2016, except for the following standards and interpretations.

Application of new standards and interpretations

The Group's application of the following standards and interpretations, adopted by the European Union and mandatory in financial years beginning on or after January 1, 2017, had no major impact on the Group's financial statements:

- amendment to IAS 7 – Disclosure initiative concerning information provided on the statement of cash flows;
- amendment to IAS 12 – Recognition of deferred tax assets for unrealized losses;
- IFRS annual improvements cycle 2014-2016.

However, application of the amendment to IAS 7 resulted in the Group supplementing the notes to the financial statements with the statement of changes in financial liabilities under Note 22 "Borrowings and other financial liabilities".

Early application

As of December 31, 2017, the Group has not introduced the early application of any new standard or interpretation.

Standards published by the IASB, for which application is not mandatory

The principles applied by the Group do not differ from IFRS standards as published by the IASB, since the application of the following standards and interpretations is not mandatory in financial years beginning on or after January 1, 2017:

- IFRS 15 – "Revenue from contracts with customers". This standard primarily impacts the recognition of directly reimbursable costs and the classification as "agent" or "principal", notably for production activities and certain media activities;
- IFRS 9 and amendments to IFRS 9 – "Financial Instruments: Recognition and Measurement of financial assets, fair value option for financial liabilities and hedge accounting". Analysis of the potential impact of the application of this new standard on the Group's consolidated financial statements is currently being carried out, in particular regarding the impairment of trade receivables and the recognition of swaps qualified as cash flow hedge. Based on the analyses performed to date, the impact should be minimal;
- IFRS 16 – "Leases": The main impacts of this standard relate to real estate leases. Work to produce an estimate of the impact of the application of this standard with effect from January 1, 2019 began during the first half of 2017. At this stage, the Group has not elected to apply IFRS 16 early, at the same time as IFRS 15;
- IFRIC 22 – "Foreign currency transactions and advance consideration";
- IFRIC 23 – "Uncertainty over income tax treatments".

1.2 Consolidation principles and policies

Presentation currency of the consolidated financial statements

Publicis prepares and publishes its consolidated financial statements in euros.

Investments in subsidiaries

The consolidated financial statements include the financial statements of Publicis Groupe SA and of its subsidiaries as at December 31 of each year. Subsidiaries are consolidated as of the time that the Group obtains control until the date on which control is transferred to an entity outside the Group.

Control is exercised when the Group is exposed or entitled to the variable returns and provided that it can exercise its power to influence such returns.

Investments in associates

The Group's investments in associates are accounted for under the equity method. An associate is a company over which the Group has significant influence but not control, this generally implies an ownership percentage of between 20% and 50% of the voting rights.

Investments in associates are recognized in the balance sheet at their acquisition cost and adjusted to reflect subsequent changes to the Group's share in the net assets of the associate, in accordance with the equity method. The Group's investment includes the amount of any goodwill, which is treated in accordance with the Group's accounting policy in this area, as presented in Section 1.3 below. The income statement reflects the Group's share of the associate's net income after taxes for the period.

Joint arrangements

Partnerships recognized as joint ventures are recognized under the equity method to the extent that they only give rights to the net assets of the entity.

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable at the reporting date. All differences arising are recognized in the income statement, except for differences on loans and borrowings that, in substance, form part of the net investment in a foreign entity. These differences are recognized in equity until such time as the net investment is disposed of, at which time they are recorded in the income statement.

Translation of financial statements prepared in foreign currencies

The functional currency of each Group entity is the currency of the economic environment in which it operates. The financial statements of subsidiaries located outside the euro zone presented in local currencies are translated into euros, the presentation currency of the consolidated financial statements, in the following manner:

- assets and liabilities are translated at year-end exchange rates;
- the income statement is translated at the average exchange rate over the year;
- translation adjustments resulting from the application of these rates are recognized in "Other comprehensive income items – Consolidation translation adjustments" for the Group share, with the remainder being recorded as "Non-controlling interests (minority interests)".

Goodwill and fair value adjustments of assets and liabilities recognized in the context of the acquisition of a foreign entity are expressed in the functional currency of the acquired company and translated at the exchange rate applying at the reporting date.

Elimination of intra-group transactions

Transactions between consolidated subsidiaries are fully eliminated, as are the corresponding receivables and payables. Similarly, intercompany gains or losses on sales, internal dividends, and provisions relating to subsidiaries are eliminated from consolidated results, except in the case of impairment loss.

1.3 Accounting principles

Business combinations effective before January 1, 2010

The accounting treatments applied to business combinations prior to January 1, 2010 which may still have an impact at December 31, 2017 are as follows:

- price adjustments were recognized at the acquisition date (exclusive control) if and only if the Group had a current obligation with a likely settlement which could be reliably assessed. Changes in estimates of the amount of the price adjustment affected goodwill. These arrangements continue to be applied to the variations, subsequent to January 1, 2010, of price adjustments in relation to business combinations prior to this date;
- initially, the commitments to buy out non-controlling interests were recognized as borrowings at the discounted value of the purchase obligation, with a double entry booked to non-controlling interests (minority interests) and the remainder to goodwill. Subsequent changes in the amount of the obligation were recognized by adjusting the amount of goodwill. These arrangements continue to be applied to the subsequent changes to commitments prior to January 1, 2010.

Business combinations effective as of January 1, 2010

Business combinations are treated in the following manner:

- identifiable assets acquired and liabilities assumed are recognized at their fair value on the acquisition date;
- non-controlling interests in the acquired business (minority interests) are recognized either at fair value or at the proportionate share of recognized identifiable net assets in the acquired business. This option is available on a case-by-case basis for each business combination.

Acquisition costs are recognized as an expense when incurred and are recorded under "Other operating expenses" in the consolidated income statement.

Any earn-out payments on business combinations are recognized at fair value on the acquisition date. After the acquisition date, earn-out payments are recognized at their fair value on the balance sheet date. As of the end of the period for allocating the acquisition price, which comes one year following the acquisition date at the latest, any change in this fair value is recorded in income. Within this allocation period, any changes in this fair value explicitly linked to events subsequent to the acquisition date are also recognized in income. Other changes are recognized as an offset to goodwill.

At the acquisition date, goodwill represents the difference between:

- the fair value of the transferred asset, including earn-out payments, plus the amount of non-controlling interests in the acquired company and, where a business combination occurs in several stages, the fair value at the acquisition date of the interest previously held by the buyer in the acquired company, which is adjusted through income; and
- the net residual value of identifiable assets acquired and liabilities assumed at the acquisition date and recorded at fair value.

Although deferred tax assets were not recognized at the acquisition date because their recoverability was uncertain, any subsequent recognition or utilization of these deferred taxes after the allocation period will be recorded as an offset to income (*i.e.* with no impact on the amount recorded as goodwill).

COMMITMENTS TO BUY OUT NON-CONTROLLING INTERESTS MADE AT THE TIME OF A BUSINESS COMBINATION

Pending an IFRIC interpretation or a specific IFRS standard on this matter, the following accounting treatment has been adopted in accordance with currently applicable IFRS standards and the AMF recommendation:

- initially, these commitments are recognized in borrowings at the present value of the buy-out amount, with a double entry booked in diminution of equity;
- subsequent changes in the value of the commitment (including the effect of discounting) are recognized by adjusting equity on the grounds that it is a transaction between shareholders.

ADDITIONAL ACQUISITION OF SECURITIES WITH THE EXCLUSIVE TAKEOVER OF AN ENTITY PREVIOUSLY UNDER SIGNIFICANT INFLUENCE

The exclusive takeover leads to the recognition of a disposal gain or loss calculated on the entire interest at the transaction date. The previously held interest is thus remeasured at fair value through the income statement at the time of the exclusive takeover.

ADDITIONAL ACQUISITION OF SECURITIES AFTER THE EXCLUSIVE TAKEOVER

When additional securities are acquired in an entity that is already exclusively controlled, the difference between the acquisition price of these securities and the proportion of additional consolidated equity acquired is recognized as equity attributable to shareholders of the parent company of the Group. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is thus left unchanged.

In the statement of cash flows, the acquisition of additional securities in an entity already controlled is presented as net cash flow relating to financing activities.

SALE OF SECURITIES WITHOUT LOSS OF EXCLUSIVE CONTROL

In the event of a partial sale of securities in an exclusively controlled entity that does not modify control of this entity, the difference between the fair value of the sale price of the securities and the proportion of consolidated equity capital that these securities represent at the date of sale is recognized as equity attributable to shareholders in the parent company of the Group. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is thus left unchanged.

In the statement of cash flows, the sale of securities without loss of exclusive control is presented as net cash flow relating to financing activities.

SALE OF SECURITIES WITH LOSS OF EXCLUSIVE CONTROL BUT RETENTION OF AN EQUITY INTEREST

The loss of exclusive control leads to the recognition of a disposal gain or loss calculated on the entire interest held at the transaction date.

Any residual interest is therefore remeasured at fair value through the income statement at the time of the exclusive loss of control.

Planned disposals

In application of IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of controlled entities held for sale are presented separately on the balance sheet.

Reclassified non-current assets are no longer depreciated from the date on which they are reclassified.

Research and study costs

Publicis recognizes expenditures for studies and research as expenses attributable to the financial year in which they are incurred. This expenditure primarily relates to the following items: studies and tests relating to advertising campaigns, research programs into consumer behavior and clients' needs in various areas, and studies and modeling to optimize media buying for the Group's clients.

Development expenditures incurred for an individual project are capitalized once they are considered to be reasonably certain of being recovered in the future. Any capitalized expense is amortized over the future period during which the project is expected to generate income.

Goodwill

When a takeover takes place in a single transaction, goodwill is equal to the fair value of the consideration paid to acquire the securities (including any earn-out payments which are recorded at fair value at the takeover date), plus the value of non-controlling interests (these items are valued for each business combination either at fair value or at the proportionate share of the fair value of the net assets of the acquired business and minus the fair value of assets, liabilities and contingent liabilities identified at the acquisition date.)

Goodwill recorded in the balance sheet is not amortized but is instead subject to impairment tests on at least an annual basis. Impairment tests are performed for the cash-generating unit(s) to which goodwill has been allocated by comparing the recoverable value and the carrying amount of the cash-generating unit(s). The Group considers each agency or group of agencies to be a cash-generating unit.

The recoverable value of a cash-generating unit is the greater of its fair value (generally its market value), net of disposal costs, and its value in use. Value in use is determined on the basis of discounted future cash flows. Calculations are based on five-year cash flow forecasts, a terminal growth rate for subsequent cash flows and the application of a discount rate to all future flows. The discount rate used reflects current market assessments of the time value of money and the specific risks to which the cash-generating unit is exposed.

If the carrying amount of a cash-generating unit is higher than its recoverable value, the assets of the cash-generating unit are written down to their recoverable value. Impairment losses are allocated, firstly, to goodwill, and are recognized through the income statement and then against other assets.

Intangible assets

Separately acquired intangible assets are recognized at acquisition cost. Intangible assets acquired in the context of a business combination are recognized at their fair value on the acquisition date, separately from goodwill, if they are identifiable, *i.e.* if they meet one of the following two conditions:

- the intangible assets arise from legal or contractual rights; or
- the intangible assets can be separated from the acquired entity.

Intangible assets primarily consist of trade names, client relationships, technology, e-mail address databases and software.

Trade names, which are considered to have indefinite useful lives, are not amortized. They are subject to impairment tests, at least once a year, which involve comparing their recoverable value to their carrying amount. Any impairment loss is recorded in the income statement.

Client relationships with a finite useful life are amortized over such useful lives, which are generally between 10 and 40 years. They are also subject to impairment tests if there are any indicators that they may have been impaired.

Technology assets result from the Group's engagement in digital activities. They are amortized over a three to four-year period.

E-mail address databases are used in direct e-mailing campaigns. These databases are amortized over two years.

The method used to identify any impairment of intangible assets is based on discounted future cash flows. The Group uses the "royalty savings" method for trade names, which takes into account the future cash flows that the trade name would generate in royalties if a third party were to pay for the use of said trade name. For client contracts, the method involves discounting future cash flows generated by the client. Valuations are carried out by independent appraisers. The parameters used are consistent with those used to measure goodwill.

Capitalized software includes in-house applications as well as commercial packages; it is measured either at its acquisition cost (if purchased externally) or at its production cost (if developed internally). It is amortized over its useful life:

- ERP: eight years;
- other: three years maximum.

Property, plant and equipment

Items of property, plant and equipment are measured at cost minus accumulated depreciation and impairment loss.

When appropriate, the total cost of an asset is broken down into its various components that have distinct useful lives. Each component is then recognized separately and depreciated over a distinct term.

Items of property, plant and equipment are depreciated on a straight-line basis over each asset's estimated useful life. The useful life of property, plant and equipment is generally assumed to be as follows (straight-line method):

- buildings: 20 to 70 years;
- fixtures, fittings and general installations: 10 years;
- office equipment and furniture: 5 to 10 years;
- vehicles: 4 years;
- IT equipment: 2 to 4 years.

If any indicators suggesting impairment loss exist for items of property, plant and equipment, the recoverable value of the property, plant and equipment or the cash-generating unit(s) to which such assets belong is compared to their carrying amount. Any impairment loss is recorded in the income statement.

Leases

Finance leases, which transfer substantially all the risks and rewards of the ownership of the leased asset to the Group, are recognized in the balance sheet from the beginning of the lease contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Assets acquired under finance leases are recognized in property, plant and equipment and a corresponding liability is recognized in borrowings. They are depreciated over the length of the lease contract or over the useful lives applicable to similar assets owned, whichever is shorter. In the income statement, lease rental expenses are replaced by the interest on the debt and the depreciation of the assets. The tax effect of this restatement for consolidation purposes is accounted for through the recognition of a deferred tax asset or liability.

Leases in which the lessor does not transfer substantially all of the risks and rewards of ownership of the leased assets are classified as operating leases. Payments made under operating leases are recognized as a charge in the income statement on a straight-line basis over the term of the lease.

Other financial assets

All investments are initially recognized at fair value, which corresponds either to the price paid or the value of assets given in payment, plus any transaction costs.

Subsequent to their initial recognition, investments classified as "investments held for trading" or "available-for-sale financial assets" are measured at their fair value at the reporting date. Gains and losses on investments held for trading are recognized in income. Gains and losses on available-for-sale financial assets are recognized in equity, on a specific line, until the investment is sold or shown to be substantially or permanently impaired.

Other long-term investments held until maturity, such as bonds, are measured at amortized cost using the effective interest rate method. For investments recognized at amortized cost, gains and losses are recognized in the income statement if they are sold or impaired, as well as through the process of amortization.

For investments that are actively traded on organized financial markets, fair value is determined by reference to the published market price at the reporting date. For investments that are not listed on an active market, fair value is determined with reference to the current market price of another substantially similar instrument, or calculated based on the cash flows that are expected from the investment.

Loans and receivables owed by associates and non-consolidated companies

This includes financial receivables from associates or unconsolidated companies held by the Group.

Impairment is recognized whenever there is a risk of non-payment as a result of the financial position of the entity in question.

Inventories and work in progress

Work in progress is linked to the advertising business, *i.e.* technical creative and production work (for print, TV, radio, publishing, etc.) for which the client is ultimately liable but has not yet been invoiced. They are recognized on the basis of costs incurred and a provision is recorded when their net realizable amount is lower than cost. Un-billable work or costs incurred relating to new client development activities are not recognized as assets, except for tendering expenses which may be re-invoiced to the client under the terms of the contract. In order to assess the net realizable amount, inventory and work in progress are reviewed on a case-by-case basis and written down, if appropriate, on the basis of criteria such as the existence of commercial disputes with the client.

Trade receivables

Receivables are recognized at the initial amount of the invoice. Receivables presenting a risk of non-recovery are subject to impairment. Such allowances are determined, on a case-by-case basis, using various criteria such as difficulties in recovering the receivables, the existence of any disputes and claims, or the financial position of the debtor.

Due to the nature of the Group's activities, trade receivables are of a short-term nature. Nevertheless, any trade receivables of a longer-term nature will be recognized at their discounted value.

Derivative financial instruments

The Group uses derivatives such as foreign currency and interest rate hedges to hedge its current or future positions against foreign exchange rate risks or interest rate risks. These derivatives are measured at fair value, determined either by reference to observable market prices at the reporting date or by the use of valuation models based on market parameters at the reporting date. Including counterparty risk in the valuation of derivatives did not have a material impact.

Whenever these financial instruments are involved in an arrangement treated as a hedge for accounting purposes, the following should be distinguished:

- fair value hedges, which are used to hedge against changes in the fair value of a recognized asset or liability;
- cash flow hedges, which are used to hedge against exposure to changes in future cash flows.

For fair value hedges related to a recognized asset or liability, all gains and losses resulting from the remeasurement of the hedging instrument at fair value are recognized immediately in the income statement. At the same time, any gain or loss on the hedged item will change the carrying amount of this item as an offset to its effect on the income statement.

For hedges used to hedge firm or highly probable future commitments and that meet the conditions for recognition as hedge accounting (future cash flow hedges), the portion of gain or loss realized on the hedging instrument deemed to be an effective hedge is recognized directly in equity. The ineffective portion is recognized immediately in profit and loss. Gains and losses recognized in other comprehensive income are reported in the income statement for the period in which the hedged risk affects income; for example, when a planned sale actually occurs.

As for derivatives that do not qualify for hedge accounting, any gain or loss resulting from changes in their fair value is recognized directly in the income statement for the financial year.

Changes in the fair value of derivatives that qualify as fair value hedges are recognized in other financial income and expenses, as are changes in the value of the underlying items. The fair value of derivative instruments is recognized in other receivables and current assets and in other creditors and current liabilities.

Cash and cash equivalents

Cash and cash equivalents include sight deposits, cash, short-term deposits with an initial maturity of less than three months and UCITS and money market funds with a negligible risk of a change in value, *i.e.* that meet the following criteria: sensitivity to interest rate risk less than or equal to 0.25 and 12-month historical volatility of close to zero.

For the purposes of the statement of cash flows, "cash" includes cash and cash equivalents as defined above, net of bank overdrafts.

Treasury shares

Irrespective of their intended use, all treasury shares are recognized at their acquisition price by the Group as a deduction from equity.

Bonds

- Bonds redeemable in cash:

  The bonds are initially recognized at their fair value, which corresponds to the amount of cash received, net of issuance costs.

  Subsequent to initial recognition, bonds are recognized at their amortized cost, using the effective interest rate method, which takes into account all issuance costs and any redemption premium or discount.
- Convertible bonds and debentures redeemable for stock:

  For convertible bonds (Océane) or debentures (Orane), or debentures with warrants (OBSA), the liability and equity components are initially recognized separately. The fair value of the debt component at issuance is determined by discounting the future contractual cash flows at market rates that the Company would have had to pay on a bond instrument offering the same terms but without a conversion option.

  The equity component is measured on issuance by deducting the fair value of the debt component from the fair value of the bond as a whole. The value of the conversion option is not revised during subsequent financial years.

  Issuance costs are divided between the debt and equity components based on their respective carrying amounts at issuance.

  The debt component is subsequently measured at amortized cost.

Provisions

Provisions are funded when:

- the Group has a present obligation (legal or constructive) resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the amount of the outflow can be estimated reliably. Where the effect of the time value of money is material, provisions are discounted to present value. Increases in the amount of provisions resulting from the unwinding of the discount are recognized as financial expenses.

  Contingent liabilities are not recognized but, if material, are disclosed in the notes to the financial statements, except in the case of business combinations where they constitute identifiable items for recognition;
- provision for litigation and claims

  The Group recognizes a provision in each case where a risk related to litigation or a claim of any type (commercial, regulatory, tax or employee related) is identified, where it is probable that an outflow of resources will be necessary to extinguish this risk and where a reliable estimate of the costs to be incurred can be made. In such cases, the amount of the provision (including any related penalties) is determined by the agencies and their experts, under the supervision of the Group's head office teams, on the basis of their best estimate of the probable costs related to the litigation or the claim;
- restructuring provisions

  The total cost of restructuring is recognized in the financial year that these actions were approved and announced.

  In the context of an acquisition, restructuring plans that do not constitute liabilities for the acquired company on the date of the acquisition are recognized as expenses.

These costs consist primarily of severance and early retirement payments and notice periods that have not been worked, which are recognized in employee benefits expenses, and, in some cases, of write-downs of property, plant and equipment and other assets;

- vacant property provisions

  A provision is recognized for the amount of rent and related charges to be paid, net of any sublease revenue to be received, for all buildings that are sublet or vacant and not intended to be used in the context of the Group's principal activities.

  In the context of business combinations, provisions are also recorded when the acquired company has property rental contracts with less favorable terms than those prevailing on the market as of the acquisition date.

Pensions and other long-term benefits

The Group recognizes obligations relating to pensions and other post-employment benefits based on the type of plan in question:

- defined contribution plans: the amount of the Group's contribution to the plan is recognized as an expense for the year;
- defined benefit plans: the commitment in respect of defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses relating to post-employment plans and arising during the year are recorded directly in other comprehensive income. The effect of the unwinding of discounts on pension obligations net of the expected return on plan assets is recorded in "Other financial income and expenses". Various plan administrative expenses are, when directly billed to the Group, recognized under operating income.

Trade payables

This line item includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services including those related to media buying where the Company acts as agent. These payables are generally due within less than one year.

Revenue

Written confirmation from the client (purchase order, letter, contract, etc.) specifying the nature and amount of the work to be performed is required prior to the recognition of revenue. The Group's revenue recognition policies are summarized below:

- commission-based agreements (excluding production):

  revenue from creative advertising and media buying services is recognized on the date of broadcast or publication;

- fees (project-based agreements, fixed-fee agreements, time-based agreements, etc.):

  revenue from project-based agreements is recognized once the service has been rendered. Revenue under fixed-fee agreements is recognized on a straight-line basis, which reflects the nature and the scope of the services rendered. Revenue under time-based agreements is recognized on the basis of work done;

- fees based on performance criteria:

  revenue is recognized when the performance criteria have been met and the customer has confirmed its agreement.

In most of its transactions involving third-party suppliers (particularly concerning its media business), Publicis acts as an agent for its clients. For these, Publicis calculates the net amount earned, and any expenses incurred with third-party suppliers are excluded from revenue. In other instances, Publicis acts as "principal", in particular when Publicis takes responsibility for the work performed, *i.e.* in the case of production agencies or when there is an inventory risk (e.g. in its media business). In these circumstances, Publicis recognizes the gross amount invoiced as revenue.

Publicis Groupe stock option plans

The fair value of the options granted is recognized in employee benefits expense over the vesting period of the options. This is determined by an independent expert, generally using the Black-Scholes model. By way of exception, where the plan contains market objectives, the Monte-Carlo method is used.

For plans containing non-market performance objectives, the Group evaluates the probability that the objectives will be achieved and takes account of this estimate in its calculation of the number of shares to be issued.

Publicis Groupe free share plans

The fair value of the free shares granted is recognized in employee benefits expense over the vesting period of the rights. This value is determined by an independent expert and is equal to the market price per share on the date of the award, adjusted to reflect the expected loss of dividend(s) during the vesting period. By way of exception, where the plan contains market objectives, the Monte-Carlo method is used.

For plans containing non-market performance objectives, the Group evaluates the probability that the objectives will be achieved and takes account of this estimate in its calculation of the number of shares to be issued.

Non-current income and expenses

In order to facilitate the analysis of the Group's operational performance, Publicis records exceptional income and expenses under "Non-current income and expenses". This line item mainly includes gains and losses on the disposal of assets.

Operating margin before depreciation and amortization

The operating margin is equal to revenue after deducting personnel expenses and other operating expenses (excluding other non-current income and expenses as defined above).

Operating margin

The operating margin is equal to revenue after deducting personnel expenses, other operating expenses (excluding other non-current income and expenses described above) and depreciation and amortization expense (excluding intangibles from acquisitions). The operating margin, which represents operating income expressed as a percentage of revenue, is an indicator used by the Group to measure the performance of cash-generating units and of the Group as a whole.

Cost of net financial debt and other financial income and expenses

The cost of net financial debt includes financial expenses on borrowings and interest income on cash and cash equivalents.

Other financial income and expenses mainly include the effects of unwinding discounts on vacant property and pension provisions (net return on plan assets), the effect of revaluation of earn-out payments on acquisitions, changes in the fair value of derivatives and foreign exchange gains and losses.

Income tax

Net income for the period is taxed based on the tax laws and regulations in force in the respective countries where the income is reported. Deferred taxes are reported using the balance sheet liability method for temporary differences between the tax value and the carrying amount of assets and liabilities at the reporting date.

Deferred tax assets are recognized for deductible temporary differences, tax loss carryforwards and unused tax credits to the extent that it is probable that there will be taxable income for the period (either from the reversal of the temporary differences or generated by the entity) against which such items can be charged in future years.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that there will be sufficient taxable income for the period to take advantage of all or part of this deferred tax asset. Deferred tax assets that are unrecognized are measured on every reporting date and recognized if it is likely that they will be usable against future taxable income for the period.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applicable in the year in which the asset is realized or the liability settled. The tax rates used are those that have been enacted, or virtually enacted, at the reporting date.

Earnings per share and diluted earnings per share (EPS and diluted EPS)

Earnings per share are calculated by dividing net income for the financial year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period, including the effect of the redemption of Orane in shares, as Orane are contractually redeemable in ordinary shares.

Diluted earnings per share are calculated by dividing net income for the financial year attributable to ordinary shares, after cancellation of interest on bonds redeemable for, or convertible into, ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year adjusted to reflect the effect of options, free shares granted, outstanding warrants and the conversion of bonds convertible into shares (Océane). The calculation of diluted earnings per share reflects only instruments that are dilutive, *i.e.* that reduce earnings per share.

For Publicis Groupe stock options, free shares and warrants, the method applied is set forth below.

For the calculation of diluted earnings per share, all dilutive options and warrants are assumed to have been exercised and the free shares actually received.

The proceeds from the exercise of these instruments are deemed to have been received with the issue of ordinary shares at the average market price for ordinary shares during the period. That issue, which is presumed to be measured at fair value, is neither dilutive nor accretive and is not included in the calculation of diluted earnings per share. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at average market price must be treated as an issue of ordinary shares without proceeds and therefore as dilutive. This number is added to the denominator in the diluted earnings per share ratio.

Hence, options and warrants are dilutive only when the average price per share of ordinary shares during the period exceeds the options' or warrants' strike price (*i.e.* when they are "in the money").

In addition to these earnings per share (base and diluted), the Group calculates and regularly releases a "current" base and diluted EPS, similar to the one described above, except with respect to the earnings figure used, which excludes:

- the items "Impairment loss" and "Amortization expense of intangibles from acquisitions";
- the effect of the revaluation of earn-out payments on acquisitions recorded under "Other financial income and expenses";
- certain specifically designated items of exceptional income and expense generally recorded as "Non-current income and expenses".

1.4 Principal sources of uncertainty arising from the use of estimates

The Group's financial position and earnings depend on the accounting methods applied and the assumptions, estimates and judgments made when the consolidated financial statements are prepared. The Group bases its estimates on its past experience and on a series of other assumptions considered reasonable under the circumstances to measure the amounts to be used for the Group's assets and liabilities. Actual outcomes may, however, vary significantly from these estimates.

The characteristics of the main accounting policies, judgments and other uncertainties affecting the application of these accounting policies, together with the sensitivity of the results to changes in circumstances and assumptions associated with them are factors to be taken into consideration. The Group makes estimates and assumptions regarding the future. The accounting estimates will, by definition, rarely be exactly the same as the related actual outcomes.

The main assumptions concerning future events and other sources of uncertainty relate to the use of estimates on the reporting date, when there is a significant risk that the estimates of the net carrying amount of the assets and liabilities will be modified in future years, *i.e.*:

- the fair value allocated to assets and liabilities obtained through business combinations;
- the calculation of the recoverable value of goodwill and intangible assets used for impairment tests;
- provisions for liabilities and charges, particularly for defined benefit pension liabilities and post-employment medical care;
- impairment of doubtful receivables;
- the fair-value measurement of stock options awarded under Publicis Groupe SA's stock option plans.

Detailed disclosures concerning these matters are provided in Notes 5, 20, 21, 26 and 28 below.

Note 2 Changes in the scope of consolidation

2.1 Acquisitions in 2017

There was no significant takeover (individually or taken together) during the period.

The main acquisitions in the year were as follows:

- in January 2017, the Group acquired 100% of The Abundancy and Ardent (USA);
- in July 2017, the Group acquired 85% of Translate Plus (United Kingdom) and 100% of The Herd Agency (Australia);
- in September 2017, the Group acquired 100% of Plowshare (USA) and 100% of Harbor Picture Company (USA).

The fair value, at the acquisition date, of the consideration paid (excluding cash and cash equivalents acquired) of all entities that were fully consolidated (notably including the ones detailed above, as well as smaller acquisitions) with an exclusive takeover during the year, totaled euro 159 million. This amount mainly includes:

- euro 76 million paid out during the year;
- euro 76 million in earn-out payment commitments;
- euro 7 million in commitments to buy out non-controlling interests.

The amount paid out in 2017 for acquisitions (net of cash and cash equivalents acquired) totaled euro 289 million and includes:

- euro 76 million paid out during the year;
- euro -19 million in acquired net cash and cash equivalents;
- euro 232 million in earn-out payments paid out during the year.

Taken as a whole, all acquisitions made over the year represented less than 0.2% of consolidated revenue and 0.6% of consolidated net income attributable to equity holders of the parent company.

2.2 Acquisitions in 2016

There was no significant takeover (individually or taken together) during the period.

The main acquisitions in the year were as follows:

- in February 2016, the Group acquired 100% of MercerBell;
- in February 2016, the Group acquired 100% of Vertiba;
- in March 2016, the Group acquired 81% of Seven Seconds;
- in August 2016, the Group acquired 100% of Digitouch;
- in November 2016, the Group acquired 100% of North Strategic and Notch Video.

The fair value, at the acquisition date, of the consideration paid (excluding cash and cash equivalents acquired) of all entities that were fully consolidated (notably including the ones detailed above, as well as smaller acquisitions) with an exclusive takeover during the period, totaled euro 126 million. This amount mainly includes:

- euro 59 million paid out during the period;
- euro 54 million in earn-out payment commitments;
- euro 13 million in commitments to buy-out non-controlling interests.

The amount paid out in 2016 for acquisitions (net of cash and cash equivalents acquired) totaled euro 240 million and includes:

- euro 59 million paid out during the period;
- euro -17 million in acquired net cash and cash equivalents;
- euro 198 million in earn-out payments paid out during the period.

Taken as a whole, all acquisitions made over the period represented less than 1% of consolidated revenue and 1% of net income attributable to equity holders of the parent company.

2.3 Disposals in 2017 and 2016

No significant disposals were made during 2017 and 2016. It should be noted, however, that the Group sold 56.67% of the company Mediavision et Jean Mineur SA on June 16, 2016 (see Notes 6 and 29).

Companies sold contributed no more than 0.1% of revenue and 0.3% of consolidated net income attributable to equity holders of the parent company in 2017. This is unchanged from the 2016 financial year.

2.4 Planned disposals

The Group reached a definitive agreement for the sale of 100% of the company Genedigi in China on December 18, 2017. Due to the fact that this disposal was subject to obtaining authorizations from the Chinese authorities, this business is still fully consolidated. However, the assets and liabilities have been recorded on the balance sheet under "Assets held for sale" and "Liabilities held for sale". The value of these assets and liabilities was written down to their realizable value less disposal costs (see Note 5).

The assets and liabilities of this business are as follows:

- goodwill and intangible assets;
- property, plant and equipment;
- current assets;
- cash and cash equivalents;
- current liabilities.

The disposal process is being finalized and is expected to be completed by the end of first quarter 2018.

Note 3 Personnel expenses and headcount

Personnel expenses include salaries, commissions, incentives, employee profit sharing, vacation pay and bonus estimation. They also include expenses related to stock option and free share plans and expenses related to pensions (excluding the net effect of unwinding the discount on benefit obligations, which is included in other financial income and expenses).

(in millions of euros)	2017	2016
Compensation	(4,698)	(4,720)
Social security charges	(539)	(539)
Post-employment benefits	(311)	(301)
Share-based payments	(55)	(55)
Temporary employees and freelancers	(374)	(444)
TOTAL	**(5,977)**	**(6,059)**

Changes in and breakdown of headcount

By region

	2017	2016
Europe	22,589	22,597
North America	24,054	24,638
Asia Pacific	21,583	22,745
Latin America	5,661	5,490
Middle East & Africa	3,880	3,443
TOTAL	**77,767**	**78,913**

By function (as a %)

	2017	2016
Account planning and management	19%	19%
Creative	13%	15%
Media and research	18%	17%
Specialized production activities and other	35%	34%
Administration and management	15%	15%
TOTAL	**100%**	**100%**

Note 4 Other operating expenses

Other operating expenses include all external expenses other than production and media buying when the Group acts as an agent. They include rent, lease expenses and other expenses related to the occupation of premises amounting to euro 484 million in 2017, compared to euro 498 million in 2016. They also include taxes (other than income taxes) and similar payments, as well as additions to and reversals of provisions.

Note 5 Depreciation, amortization and impairment loss

(in millions of euros)	2017	2016
Amortization of other intangible assets (excluding intangibles arising from acquisitions)	(22)	(21)
Depreciation of property, plant and equipment	(139)	(145)
DEPRECIATION AND AMORTIZATION EXPENSE (EXCLUDING INTANGIBLES FROM ACQUISITIONS)	**(161)**	**(166)**
AMORTIZATION OF INTANGIBLES FROM ACQUISITIONS	**(73)**	**(79)**
Impairment loss of intangibles from acquisitions	-	(152)
Impairment loss on investments in associates(1)	(3)	(34)
Impairment loss on other financial assets	(2)	-
Goodwill impairment(2)	(108)	(1,254)
Impairment loss on fixed assets	(2)	-
IMPAIRMENT LOSS	**(115)**	**(1,440)**
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT	**(349)**	**(1,685)**

(1) An impairment loss of euro 3 million was recorded for investments in associates (see Note 13).
(2) Including the reclassification of goodwill as assets held for sale.

The 2017 impairment loss amounted to euro 115 million.

Impairment of intangibles from acquisitions

Impairment tests were carried out on all of the Group's trade names recognized on acquisition. Client relationships were also tested for impairment. All valuations required for these impairment tests were conducted by an independent expert.

At December 31, 2017, the after-tax discount rates used in the valuations ranged from 8.0% to 13.5%. They are determined on the basis of the specific characteristics belonging to each asset undergoing impairment testing.

These tests resulted in the Group not recognizing an impairment loss in 2017.

At December 31, 2016, the after-tax discount rates used in the valuations ranged from 8.5% to 11%. These tests resulted in the Group recognizing an impairment loss of euro 152 million in 2016 (euro 121 million on brands and euro 31 million on customer relations and technologies).

Goodwill impairment

Impairment tests were performed on the cash-generating units, which consist of agencies or combinations of agencies.

The valuations required for the impairment tests on the most significant goodwill were conducted by an independent expert. The goodwill impairment tests were carried out on the basis of the value in use of the cash-generating units, which was determined based on five-year financial forecasts (2018-2022). Forecasts for 2018 are taken directly from the annual budget approved by management.

At December 31, 2017, these tests resulted in the Group recognizing an impairment loss of euro 108 million on:

- service activities in France and Belgium for micro-companies and SMEs for euro 50 million;
- activities in China which are the subject of a planned disposal (see Note 2.4) for euro 58 million.

The after-tax discount rates used range between 8.0% (10.2% before tax) and 12.0% (15.3% before tax). The terminal growth rate used in the forecasts ranges from 1.0% to 3.0%.

The main assumptions used in these tests are presented in the table below:

	2017			2016		
(in millions of euros)	Carrying amount of goodwill	After-tax discount rate	Terminal growth rate	Carrying amount of goodwill	After-tax discount rate	Terminal growth rate
Publicis Communications	3,325	9.0%	1.5%	3,548	9.0%	2.0%
Publicis Media	1,599	8.0%	1.5%	1,746	8.5%	2.5%
Publicis.Sapient	2,520	11.5%	3.0%(1)	2,767	11.5%	3.0%(1)
Publicis Health	530	9.5%	2.0%	525	9.5%	2.0%
Publicis One	460	12.0%	2.5%	498	13.5%	2.5%
Other goodwill	16	7.5 to 10.0%	2.0 to 3.0%	66	10.0%	2.0%
TOTAL GOODWILL AFTER IMPAIRMENT LOSS	**8,450**			**9,150**		

(1) As historical performance and market research forecasts have shown, growth in advertising expenditure in the United States' digital sector is particularly strong (annual growth is generally between 10% and 20% depending on the year). Consequently, it was assumed that the market will not yet be fully mature at the end of the forecast period.

The method used in the calculation of discount rates and terminal growth rates is unchanged.

The sensitivity tests performed show that there is no impact on the impairment charge of the Group's cash generating-units (CGU).

At December 31, 2016, the after-tax discount rates used ranged from 8.5% (11.5% before tax) to 13.5% (17.4% before tax). The terminal growth rate used in the forecasts ranged from 2% to 3%.

These tests resulted in the Group recognizing an impairment loss in 2016 of euro 1,254 million on Publicis.Sapient.

Publicis.Sapient

The Publicis.Sapient Solution hub was constituted at the time of the Sapient acquisition and brings together part of the Group's digital businesses, notably SapientRazorfish and DigitasLBi. This Solution hub offers clients all of the functionality of the digital communication value chain, from consulting to sales, *via* creation, data and platforms.

It primarily includes online direct marketing consulting, the creation of corporate or commercial websites and intranets, social network expertise, search engine optimization, Internet ads (especially banners and pop-ups) and all forms of Internet and mobile communication.

The total goodwill allocated to the Publicis.Sapient Solution hub is euro 2,520 million net.

The value in use was calculated based on discounted five-year future cash flows (2018-2022).

These tests resulted in the Group not recognizing an impairment loss.

The sensitivity tests performed on Publicis.Sapient demonstrated that there is no impact on the impairment charge. A 1% increase or decrease in the discount rate, operating growth and operating margin or 0.5% increase or decrease in organic growth does not lead to the recognition of an impairment loss.

The results of the sensitivity analyses carried out on Publicis.Sapient are summarized in the table below:

(in millions of euros)	Publicis.Sapient Increase/(Decrease) in the value of future cash flows
Discount rate sensitivity	
Increase in the discount rate of 1%	(347)
Decrease in the discount rate of 1%	439
Long-term growth sensitivity	
Decrease in the LT growth rate of 0.5%	(138)
Increase in the LT growth rate of 0.5%	155
Revenue growth sensitivity	
Decrease in growth of 1% per year	(219)
Increase in growth of 1% per year	219
Operating margin sensitivity	
Reduction in margin of 1% per year	(114)
Increase in margin of 1% per year	118

Note 6 Non-current income and expenses

This covers non-recurring income and expenses. This line item mainly includes gains and losses on the disposal of assets.

(in millions of euros)	2017	2016
Capital gains (losses) on disposal of assets	-	9
Non-current income and (expenses)	(1)	3
TOTAL NON-CURRENT INCOME AND (EXPENSES)	**(1)**	**12**

In 2017, gains or losses from disposals were almost nil.

In 2016, the majority of the gain resulted from the sale of 56.67% of the share capital and voting rights of Mediavision et Jean Mineur SA. Following this transaction, the Group holds 10% of the share capital and voting rights in this company.

Note 7 Financial income and expenses

Net financial income (expense) excluding revaluation of earn-out payments

(in millions of euros)	**2017**	2016
Interest expense on loans and bank overdrafts[1]	(89)	(95)
Interest expense on finance leases	(12)	(12)
Financial expenses	**(101)**	**(107)**
Financial income	50	33
COST OF NET FINANCIAL DEBT	**(51)**	**(74)**
Foreign exchange gains (losses) and change in the fair value of currency derivatives	(1)	10
Financial expense related to unwinding of discount on long-term vacant property provisions	-	-
Net financial expense related to the discounting of pension provisions	(8)	(9)
Translation adjustments and other	(1)	(1)
NET FINANCIAL INCOME (EXPENSE) EXCLUDING REVALUATION OF EARN-OUT *PAYMENTS*	**(61)**	**(74)**

(1) Including the revaluation of interest rate swaps and bonds in respect of fair value hedges (see Note 22).

Revaluation of earn-out payments

(in millions of euros)	**2017**	2016
REVALUATION OF EARN-OUT PAYMENTS	**(66)**	**(108)**

Note 8 Income taxes

Analysis of income tax expense

(in millions of euros)	**2017**	2016
Current tax expense for the period	(441)	(357)
Current tax income for previous years	10	12
TOTAL TAX INCOME/(EXPENSE)	**(431)**	**(345)**
Deferred tax income/(expense)	131	24
Changes in unrecognized deferred tax assets	(12)	(21)
TOTAL NET DEFERRED TAX INCOME/(EXPENSE)	**119**	**3**
INCOME TAXES	**(312)**	**(342)**

Effective tax rate

The effective tax rate is obtained as follows:

(in millions of euros)		2017	2016
PRE-TAX INCOME OF CONSOLIDATED COMPANIES		**1,189**	**(173)**
Impairment loss on goodwill and intangibles (see Note 5)		115	1,440
Revaluation of debt related to acquisitions of shareholdings		66	108
RESTATED PRE-TAX INCOME OF CONSOLIDATED COMPANIES	**A**	**1,370**	**1,375**
French tax rate applicable to the parent company		34.43%	34.43%
Expected tax expense on pre-tax income of consolidated companies		**(472)**	**(473)**
Impact of:			
• the difference between the French tax rate and foreign tax rates		96	94
• changes in unrecognized deferred tax assets		(12)	(21)
• other impacts(1)		76	58
INCOME TAX IN THE INCOME STATEMENT		**(312)**	**(342)**
Impact of the fiscal reform in the United States:			
• current tax on reserves accumulated abroad		139	-
• deferred taxes: decrease in the tax rate		(200)	-
• deferred tax related to impairment loss		-	(57)
INCOME TAX IN THE RESTATED INCOME STATEMENT	**B**	**(373)**	**(399)**
EFFECTIVE TAX RATE	**B/A**	**27.2%**	**29.0%**

(1) Other impacts mainly include those related to permanent differences, income taxed at reduced rates, adjustments to previous financial years.

Impacts of the US tax reform

The Group has a strong presence in the United States and is therefore subject to changes in US tax regulations. The Tax Cuts and Jobs Act (TCJA) signed by the United States on December 22, 2017 had two effects on the Group's accounts in 2017. Firstly, the reduction in the federal corporate income tax rate from 2018 on from 35% to 21% generating deferred tax income of euro 200 million. Secondly, the spreading of the payment over eight years of a current tax amount (on accumulated reserves) valued at dollar 157 million (euro 139 million). The amount of tax payable was recorded at its nominal value and is not discounted.

Some of the Group's subsidiaries located outside the United States are partially owned by two subsidiaries located in the United States. As a result of this situation and the TCJA, the Group will be taxed on reserves accumulated abroad by some of these subsidiaries.

The calculation of this tax requires firstly, determination of the accumulated reserves under US tax rules and, secondly, determination of the cash and cash equivalents portion taxed at 15.5% and the remaining portion taxed at 8%. Tax paid abroad must also be calculated which, in part, gives rise to tax credits. The calculation carried out as part of the year-end closing on December 31, 2017 was based on the information available and the final calculation could be different depending, in particular, on future interpretations and clarifications that could be made by the US tax authorities.

Tax effect on other comprehensive income

	December 31, 2017			December 31, 2016		
(in millions of euros)	Gross	Tax	Net	Gross	Tax	Net
Fair value adjustments to available-for-sale investments	(9)	-	(9)	31	-	31
Actuarial gains and losses on defined benefit plans	13	14	27	(4)	1	(3)
Effect of translation and other	(597)	14	(583)	100	13	113
TOTAL	**(593)**	**28**	**(565)**	**127**	**14**	**141**

Schedule of deferred taxes recognized in the balance sheet

(in millions of euros)	**December 31, 2017**	December 31, 2016
Short-term (less than one year)	54	72
Long-term (over one year)	(343)	(571)
NET DEFERRED TAX ASSETS (LIABILITIES)	**(289)**	**(499)**

Source of deferred taxes

(in millions of euros)	**December 31, 2017**	December 31, 2016
Deferred tax on adjustment of asset and liability valuations due to acquisitions	(301)	(360)
Deferred tax arising on the restatement of the Champs-Élysées building	(43)	(43)
Deferred tax on pensions and other post-employment benefits	57	78
Deferred tax arising on tax loss carryforwards	176	208
Deferred tax on other temporary differences	(18)	(209)
GROSS DEFERRED TAX ASSETS (LIABILITIES)	**(129)**	**(326)**
Unrecognized deferred tax assets	(160)	(173)
NET DEFERRED TAX ASSETS (LIABILITIES)	**(289)**	**(499)**

As of December 31, 2017, deferred tax liabilities included the tax on the revaluation of intangible assets made at the time of the acquisition of Zenith (euro 12 million), Bcom3 (euro 94 million), Digitas (euro 34 million) and Sapient (euro 94 million), as well as the deferred tax linked to the fair value being deemed as the cost of the Champs-Élysées land and building on the date of transition to IFRS.

Tax loss carryforwards

The Group also had tax loss carryforwards that had not been recognized as deferred tax assets in the consolidated balance sheet because of uncertainty as to their availability for use:

(in millions of euros)	**December 31, 2017**	December 31, 2016
AMOUNT OF UNRECOGNIZED TAX LOSS CARRYFORWARDS	**476**	**503**
Of which carried forward indefinitely	374	399

Tax provisions

The Group's tax positions are based on its interpretations of tax regulations and past experience. Each position is assessed individually without offsetting or aggregation with other positions and gives rise to the recognition of a liability when an outflow of resources is deemed probable. The assessment of these tax liabilities corresponds to the best estimate of risk at the reporting date and, where appropriate, includes late-payment interest and any penalties.

Liabilities pertaining to tax risks and litigation are recognized with provisions for risks and litigation (see Note 20) and include euro 185 million for income taxes and euro 43 million for other taxes and levies.

Note 9 Earnings per share

Earnings per share (basic and diluted)

(in millions of euros, except for share data)		2017	2016
Net income used for the calculation of earnings per share			
Group net income	A	862	(527)
Impact of dilutive instruments:			
• savings in financial expenses related to the conversion of debt instruments, net of tax		-	-
Group net income – diluted	B	862	(527)
Number of shares used to calculate earnings per share			
Number of shares at January 1		225,945,387	222,540,740
Shares created over the period		2,529,801	1,771,861
Treasury shares to be deducted (average for the year)		(2,090,481)	(813,730)
Average number of shares used for the calculation	C	226,384,707	223,498,871
Impact of dilutive instruments:			
• free shares and dilutive stock options(1)		3,682,435	-
• equity warrants(1)		606,436	-
Number of diluted shares	D	**230,673,578**	**223,498,871**
(in euros)			
EARNINGS PER SHARE	A/C	**3.81**	**(2.36)**
DILUTED EARNINGS PER SHARE(1)	B/D	**3.74**	**(2.36)**

(1) As the group reported a net loss in 2016, the generally dilutive instruments are accretive on the 2016 basic earnings per share. No instruments were taken into account in calculating the 2016 diluted earnings per share, which is, therefore, equal to the basic earnings per share. In 2017, all stock options and warrants not yet exercised at the reporting date had a dilutive impact on the current basic earnings per share.

Headline earnings per share (basic and diluted)

(in millions of euros, except for share data)		2017	2016
Net income used to calculate headline earnings per share[1]			
Group net income		**862**	**(527)**
Items excluded:			
• amortization of intangibles from acquisitions, net of tax		55	51
• impairment loss, net of tax		115	1,383
• net effect of the tax reform in the United States		(61)	-
• revaluation of earn-out payments		66	108
Headline Group net income	**E**	**1,037**	**1,015**
Impact of dilutive instruments:			
• savings in financial expenses linked to the conversion of debt instruments, net of tax		-	-
Headline Group net income, diluted	**F**	**1,037**	**1,015**
Number of shares used to calculate earnings per share			
Number of shares at January 1		**225,945,387**	**222,540,740**
Shares created over the period		2,529,801	1,771,861
Treasury shares to be deducted (average for the year)		(2,090,481)	(813,730)
Average number of shares used for the calculation	**C**	**226,384,707**	**223,498,871**
Impact of dilutive instruments:			
• free shares and dilutive stock options[2]		3,682,435	3,488,040
• equity warrants[2]		606,436	718,168
Number of diluted shares	**D**	**230,673,578**	**227,705,079**
(in euros)			
HEADLINE EARNINGS PER SHARE[1]	**E/C**	**4.58**	**4.54**
HEADLINE EARNINGS PER SHARE – DILUTED[1]	**F/D**	**4.50**	**4.46**

(1) EPS after elimination of impairment losses, amortization of intangibles from acquisitions, the main capital gains (losses) on disposal of assets, the impact of the American fiscal reform and the revaluation of earn-out payments on acquisitions.

(2) Only stock options and warrants with a dilutive impact, i.e. whose strike price is lower than the average strike price, are included in the calculation. In 2017, as in 2016, all stock options and warrants not yet exercised at the reporting date had a dilutive impact on the current basic earnings per share.

Note 10 Goodwill

Changes in goodwill

(in millions of euros)	Gross amount	Impairment loss[2]	Net amount
JANUARY 1, 2016	**10,432**	**(221)**	**10,211**
Acquisitions	167	-	167
Impairment loss	-	(1,254)	(1,254)
Changes related to the recognition of commitments to buy out non-controlling interests[1]	(80)	-	(80)
Disposals and derecognition	-	-	-
Translation adjustments and other	168	(62)	106
DECEMBER 31, 2016	**10,687**	**(1,537)**	**9,150**
Acquisitions	198	-	198
Impairment loss	-	(50)	(50)
Changes related to the recognition of commitments to buy out non-controlling interests[1]	(12)	-	(12)
Disposals and planned disposals	(63)	-	(63)
Translation adjustments and other	(942)	169	(773)
DECEMBER 31, 2017	**9,868**	**(1,418)**	**8,450**

(1) See Note 1.3 for the accounting treatment of commitments to purchase non-controlling interests.
(2) See Note 5.

The analysis of goodwill by geographic area is described in Note 27 and by Solution hub in Note 5.

Allocation of goodwill

Following the Group's internal reorganization by Solution hubs, goodwill was reallocated in 2016, in accordance with the level at which goodwill is monitored for internal management purposes. Impairment tests were conducted prior to this reallocation and no impairment loss was identified.

(in millions of euros)	Net carrying amount of goodwill
Publicis Communications	3,325
Publicis Media	1,599
Publicis.Sapient	2,520
Publicis Health	530
Publicis One	460
Other goodwill	16
TOTAL GOODWILL	**8,450**

Note 11 Intangible assets, net

Changes in intangible assets

(in millions of euros)	Intangible assets with a finite useful life		Intangible assets with an indefinite useful life	Total intangible assets
	Client relationships	Software, technology and other	Brands	
GROSS VALUE AT JANUARY 1, 2016	**1,171**	**319**	**1,019**	**2,509**
Acquisitions	-	38	-	38
Disposals and derecognition	-	(11)	-	(11)
Translation adjustments and other	24	6	26	56
GROSS VALUE AT DECEMBER 31, 2016	**1,195**	**352**	**1,045**	**2,592**
Acquisitions	-	23	-	23
Disposals and derecognition	-	(17)	-	(17)
Translation adjustments and other	(116)	(27)	(123)	(266)
GROSS VALUE AT DECEMBER 31, 2017	**1,079**	**331**	**922**	**2,332**
ACCUMULATED DEPRECIATION ON DECEMBER 31, 2016	**(779)**	**(258)**	**(210)**	**(1,247)**
Amortization	(73)	(29)	-	(102)
Impairment	-	-	-	-
Disposals and derecognition	-	18	-	18
Translation adjustments and other	78	20	25	123
ACCUMULATED DEPRECIATION ON DECEMBER 31, 2017	**(774)**	**(249)**	**(185)**	**(1,208)**
NET AMOUNT AT DECEMBER 31, 2017	**305**	**82**	**737**	**1,124**

Valuation of intangible assets

Valuation tests carried out by an independent expert at the end of the 2017 and 2016 financial years resulted in the Group recognizing no impairment losses in 2017 and euro 152 million in 2016 (see Note 5).

Note 12 Property, plant and equipment, net

(in millions of euros)	Land and buildings	Fixtures and fittings	IT equipment	Other	Total
GROSS VALUE AT JANUARY 1, 2016	**279**	**625**	**394**	**496**	**1,794**
Increases	-	44	42	54	140
Decreases	(1)	(45)	(26)	(22)	(94)
Changes to consolidation scope	-	(1)	1	1	1
Translation adjustments and other	4	(58)	2	25	(27)
GROSS VALUE AT DECEMBER 31, 2016	**282**	**565**	**413**	**554**	**1,814**
Increases	-	30	40	45	115
Decreases	(1)	(95)	(47)	(43)	(186)
Changes to consolidation scope	-	3	-	6	9
Translation adjustments and other	(13)	5	(30)	(76)	(114)
GROSS VALUE AT DECEMBER 31, 2017	**268**	**508**	**376**	**486**	**1,638**
ACCUMULATED DEPRECIATION ON DECEMBER 31, 2016	**(69)**	**(394)**	**(333)**	**(378)**	**(1,174)**
Increases	(6)	(50)	(40)	(41)	(137)
Decreases	1	93	46	40	180
Changes to consolidation scope	-	1	-	(4)	(3)
Translation adjustments and other	7	12	26	41	86
ACCUMULATED DEPRECIATION ON DECEMBER 31, 2017	**(67)**	**(338)**	**(301)**	**(342)**	**(1,048)**
NET AMOUNT AT DECEMBER 31, 2017	**201**	**170**	**75**	**144**	**590**

Land and buildings

At December 31, 2017, the net value of the property assets directly owned by Publicis listed on the balance sheet was euro 158 million.

The Group's main property asset is its corporate headquarters located at 133, avenue des Champs-Élysées, in Paris, France. This seven-story building includes around 12,000 sq.m. of office space occupied by Group companies, and 1,500 sq.m. of commercial space, occupied by Publicis Drugstore and two public movie theaters.

Other property, plant and equipment

The Group owns a considerable array of IT equipment used for the creation and production of advertising, the management of media buying and administrative work.

Assets under finance lease

The total net amount of assets in the consolidated balance sheet stood at euro 43 million on December 31, 2017.

These mainly concern the Leo Burnett building at 35 West Wacker Drive in Chicago, Illinois, USA. The finance lease on this building represents a gross amount of euro 89 million, depreciated over 30 years.

The following are the amounts related to finance leases included under property, plant and equipment:

(in millions of euros)	**December 31, 2017**	December 31, 2016
Gross value of buildings	90	104
Depreciation & Amortization	(47)	(52)
NET AMOUNT	**43**	**52**

Note 13 Investments in associates

Investments accounted for using the equity method amounted to euro 64 million on December 31, 2017 (versus euro 87 million on December 31, 2016).

(in millions of euros)	Value in balance sheet
AMOUNT AT JANUARY 1, 2016	**116**
Acquisitions	7
Disposals	(3)
Share of profit of associates	(5)
Dividends paid	(3)
Impairment loss[1]	(34)
Effect of translation and other	9
AMOUNT AT DECEMBER 31, 2016	**87**
Acquisitions	-
Disposals	-
Share of profit of associates	(5)
Dividends paid	(2)
Impairment loss	(3)
Effect of translation and other	(13)
AMOUNT AT DECEMBER 31, 2017	**64**

(1) Impairment loss relating to the investment in Matomy Media Group.

The Group's main investments in associates are Matomy Media Group, Jana Mobile, Burrell Communications and Somupi. As of December 31, 2017, the carrying amounts of these four companies were euro 25 million, euro 15 million, euro 7 million and euro 3 million, respectively.

Note 14 Other financial assets

Other financial assets mainly include investments classified as "available for sale".

(in millions of euros)	**December 31, 2017**	December 31, 2016
Available-for-sale financial assets:		
• Venture Capital Funds[1]	73	68
• Other	17	18
Security deposits	31	41
Loans to non-consolidated companies	7	7
Loans and receivables owed by associates and non-consolidated companies	9	15
Other	47	47
Gross value	**184**	**196**
Impairment	(15)	(14)
NET AMOUNT	**169**	**182**

(1) These Venture Capital Funds are dedicated to businesses that create value in the digital economy.

Balances related to other non-current financial assets maturing in less than one year are classified under current assets.

Note 15 Inventories and work in progress

(in millions of euros)	December 31, 2017	December 31, 2016
Gross value	**417**	**435**
Impairment of inventories and work in progress	(32)	(29)
NET AMOUNT	**385**	**406**

Note 16 Trade receivables

(in millions of euros)	December 31, 2017	December 31, 2016
Trade receivables[(1)]	9,831	10,069
Notes receivable	9	26
GROSS VALUE	**9,840**	**10,095**
Opening impairment	(85)	(76)
Impairment over the year	(27)	(21)
Reversals during the year	17	11
Changes to consolidation scope	2	3
Translation adjustments and other	3	(2)
Closing impairment	**(90)**	**(85)**
NET AMOUNT	**9,750**	**10,010**

(1) Including invoiced trade receivables of euro 6,799 million as of December 31, 2017 and euro 7,167 million as of December 31, 2016

Note 17 Other current receivables and assets

(in millions of euros)	December 31, 2017	December 31, 2016
Taxes and other receivables from the government	252	188
Advances to suppliers	170	209
Prepayments	115	107
Derivatives hedging current assets and liabilities	12	60
Derivatives on intercompany loans and borrowings	21	64
Other receivables and other current assets	86	78
GROSS VALUE	**656**	**706**
Impairment	(7)	(8)
NET AMOUNT	**649**	**698**

Note 18 Cash and cash equivalents

(in millions of euros)	December 31, 2017	December 31, 2016
Cash and bank balances	1,017	2,116
Short-term liquid investments	1,390	112
TOTAL	**2,407**	**2,228**

Short-term liquid investments included UCITS (French Undertakings for Collective Investment in Transferable Securities) funds classified by the AMF as "monétaire court terme" and subject to a very low risk of a change in value, and short-term deposits.

Note 19 Equity

The table of changes in equity is presented along with the other consolidated financial statements.

Share capital of the parent company

The following are the changes in the share capital over the last two years:

(in shares)	2017	2016
Share capital on January 1	225,945,387	222,540,740
Capital increases	4,682,338	3,404,647
SHARES COMPRISING THE SHARE CAPITAL ON DECEMBER 31	**230,627,725**	**225,945,387**
Treasury shares on December 31	(4,331,920)	(577,603)
SHARES OUTSTANDING ON DECEMBER 31	**226,295,805**	**225,367,784**

Publicis Groupe SA's share capital increased by euro 1,872,935 in 2017, corresponding to 4,682,338 shares with a par value of euro 0.40 each:

- 383,457 shares issued in connection with the free share plans whose definitive delivery date occurred during the year;
- 3,992,216 shares issued following the exercise by certain shareholders of the option to receive dividends in shares;
- 306,665 shares created following the exercise by certain holders of their equity warrants.

As of December 31, 2017, the share capital of Publicis Groupe SA totaled euro 92,251,090, split into 230,627,725 shares with a par value of euro 0.40 each.

Neutralization of the treasury shares existing on December 31, 2017

Treasury shares held at the end of the year, including those owned under the liquidity contract, are deducted from the share capital.

The portfolio of treasury shares showed the following movements in 2016 and 2017:

	Number of shares
TREASURY SHARES HELD ON JANUARY 1, 2016[(1)]	**1,216,839**
Disposals (exercise of stock options) and deliveries of free shares	(594,789)
Movements as part of the liquidity contract	(44,447)
TREASURY SHARES HELD ON DECEMBER 31, 2016[(1)]	**577,603**
Disposals (exercise of stock options) and deliveries of free shares	(1,470,130)
Buyback of treasury shares	5,000,000
Movements as part of the liquidity contract	224,447
TREASURY SHARES HELD ON DECEMBER 31, 2017[(1)]	**4,331,920**

(1) Including shares held as part of the liquidity contract, 265,000 on December 31, 2017, and 40,553 on December 31, 2016.

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Dividends proposed and voted

	Per share (in euros)	Total (in millions of euros)
Dividends paid in 2017 (for the 2016 financial year)	1.85	414(1)
Dividends proposed to the General Shareholders' Meeting (for the 2017 financial year)	2.00	461(2)

(1) Amount paid, depending on shareholder option, in cash or shares. Dividends paid in shares amounted to euro 244 million, resulting in the creation of 3,992,216 shares.
(2) Amount for all shares outstanding on December 31, 2017, including treasury shares.

Capital management and buyback of treasury shares

The Group's policy is to maintain a solid capital base in order to maintain the confidence of investors, creditors and the market and to support future activity development. The Group's management pays particular attention to the debt-to-equity ratio, which is defined as net debt (financial debt less cash and cash equivalents) divided by equity (including non-controlling interests) and has calculated that the ideal debt-to-equity ratio is less than 0.50. As at December 31, 2017, the debt-to-equity ratio is 0.12. As at December 31, 2016 the debt-to-equity ratio was 0.21.

Management also pays close attention to the pay-out ratio, defined as dividends per share divided by earnings per share. To be able to monitor the change in this rate over time, from 2016, we have opted for a calculation based on the current diluted earnings per share (and no longer on the basic earnings per share), as the negative 2016 EPS no longer enables us to calculate the distribution rate on this basis. Based on the dividend amount (euro 2.00 per share) to be proposed at the next General Shareholders' Meeting, this ratio will be 44.4% for the 2017 financial year, versus 41.5% for the 2016 financial year, also calculated on the current diluted EPS.

During the 2017 financial year, pursuant to an agreement signed with an investment services provider on March 13, 2017, Publicis acquired five million shares at an average price of euro 64.69 (euro 64.89 including financial transaction taxes).

Note 20 Provisions for liabilities and charges

(in millions of euros)	Restructuring	Vacant property commitments	Pensions and other long-term benefits	Risks and litigation	Other provisions	Total
JANUARY 1, 2016	**54**	**26**	**320**	**200**	**89**	**689**
Increases	21	9	47	45	23	145
Releases with usage	(47)	(8)	(41)	(14)	(5)	(115)
Other release	(3)	-	-	(16)	(31)	(50)
Changes to consolidation scope	-	-	-	-	(1)	(1)
Actuarial losses (gains)	-	-	4	-	-	4
Translation adjustments and other	(2)	(6)	-	22	-	14
DECEMBER 31, 2016	**23**	**21**	**330**	**237**	**75**	**686**
Increases	55	4	28	100	16	203
Releases with usage	(32)	(6)	(36)	(26)	(16)	(116)
Other release	(5)	(2)	(1)	(18)	(1)	(27)
Changes to consolidation scope	-	-	4	-	-	4
Actuarial losses (gains)	-	-	(13)	-	-	(13)
Translation adjustments and other	(3)	(1)	(18)	(24)	7	(39)
DECEMBER 31, 2017	**38**	**16**	**294**	**269**	**81**	**698**
Of which short-term	32	4	21	35	15	107
Of which long-term	6	12	273	234	66	591

Restructuring provisions

These include an estimate of the closure or restructuring costs of certain activities resulting from plans that were announced but not yet executed at the end of 2017 (mainly severance pay). The plans are detailed by project and by type, and are approved in advance by Senior management. They are managed centrally to ensure that the provision is applied based on the actual costs incurred and to justify the remaining balance at the year-end on the basis of the outstanding cost to be incurred.

Vacant property provisions

Vacant property provision valuations were made by discounting the rent payable, less income expected from sub-leasing.

Provisions for risks and litigation

Provisions for risks and litigation (euro 269 million) include a short-term component (euro 35 million) and a long-term component (euro 234 million). The risks mainly concern tax risks relating to North America and Latin America. Tax risks and litigation break down by type as follows:

- approximately 81% concerns corporate income taxes;
- approximately 19% concerns other taxes and levies.

Information on tax risks is provided in Note 8.

Obligations in respect of employee benefits

The obligations for employee benefits (see Note 21) include:

- defined benefit pension plans;
- post-employment medical cover;
- long-term benefits such as deferred compensation and long-service rewards.

Note 21 Pensions and other long-term benefits

Defined benefit pension plans

The Group has obligations for a number of defined benefit pension plans, mainly split between:

- pension funds (74% of the Group's obligations): these are rights to which employees have earned entitlement, with external pre-funding requirements predominantly in the US and the UK;
- other mandatory and legal pension plans, such as retirement-type indemnities (22% of the Group's obligations), in France in particular: the rights have not vested so payment is uncertain and notably dependent on employees still being employed by the Company when they retire;
- medical coverage plans for retirees (4% of the Group's obligations) consisting of an effective liability vis-à-vis current pensioners and a provision for current workers (future pensioners), in particular in the US and the UK.

The largest plans are therefore the pension funds in the United Kingdom (34% of the Group's obligations) and in the United States (30% of the Group's obligations).

- In the United Kingdom, the Group's obligations are managed through six pension funds administered by independent Boards of trustees. These independent Boards are made up of representatives of the Group, employees and retirees and in some instances an independent expert. These Boards are required by regulation to act in the best interests of plan beneficiaries, notably by ensuring that the pension funds are financially stable, as well as by monitoring their investment policy and management.

  Four of the six pension funds are closed and frozen. All existing entitlements (based on salary and number of years of service to the Group) were frozen: beneficiaries still working will not earn any further entitlement under these defined benefit plans.

  The pension fund obligations in the United Kingdom relate to retirees (63%), beneficiaries with deferred entitlement who have not yet drawn down their pension entitlements (29%) and employees still working (8%).
- In the United States, the Group's obligations are basically limited to a closed and frozen pension fund. The obligations relate to beneficiaries with deferred entitlement who have not yet drawn down their pension entitlements (33% of obligations), retirees (34% of obligations) and employees still working (33%).

  Defined benefit pension plan valuations were carried out by independent experts. The main countries concerned are the United States, the United Kingdom, Germany, France, Switzerland, the United Arab Emirates, Saudi Arabia, Bahrain, South Korea, the Philippines, Japan and India.

  No material events occurred during the reporting period to affect the value of the Group's liabilities under these plans (significant plan change).

Surplus (deficit)

Publicis Groupe sets aside financial assets to cover these liabilities, primarily in the UK and the US, in order to comply with its legal and/ or contractual obligations and to limit its exposure to an increase in these liabilities (interest and inflation rate volatility, longer life expectancy, etc.).

The policy to cover the Group's liabilities is based on regular asset-liability management reviews to ensure optimal asset allocation, designed both to limit exposure to market risks by diversifying asset classes on the basis of their risk profile, and to better reflect the payment of benefits to beneficiaries, having regard to plan maturity. These reviews are performed by independent advisers and submitted to the Trustees for approval. Investments are made in compliance with legal constraints and the criteria governing the deductibility of such covering assets in each country. Funding requirements are generally determined on a plan-by-plan basis and as a result surplus assets in over-funded plans cannot be used to cover under-funded plans.

Risk exposure

The principal risks to which the Group is exposed through its pension funds in the United Kingdom and the United States are as follows:

- volatility of financial assets: the financial assets in the plans (shares, bonds, etc.) often have a return higher than the discount rate over the long term, but are more volatile in the short term, especially since they are measured at their fair value for the Group's annual accounting needs. The asset allocation is determined so as to ensure the financial viability of the plan over the long term;
- variation of bond rates: a decrease in private bond rates leads to an increase in obligations under the plans as recognized by the Group, even where this increase is partially reduced by a growth in value of the financial assets in the plans (for the portion of first category private bonds);
- longevity: the largest part of benefits guaranteed by the plans is retirement benefits. An extended life expectancy therefore leads to an increase in these plans;
- inflation: a significant portion of the benefits guaranteed by the pension funds in the United Kingdom is indexed to inflation. A rise in inflation leads to an increase in the obligation (even when thresholds have been set for most of them in order to protect the plan from

hyper-inflation). Most of the financial assets are either not impacted by inflation or linked very little with inflation, therefore inferring that a rise in inflation would lead to an increase of the plan's deficit from an accounting perspective. The American pension funds do not expose the Group to a significant inflation risk as the benefits are not indexed to inflation.

Actuarial gains and losses

Actuarial gains and losses reflect unforeseen increases or reductions in the present value of a defined benefit obligation or of the fair value of the corresponding plan assets. Actuarial gains and losses resulting from changes in the present value of liabilities under a defined benefit plan stem, firstly, from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and, secondly, from the effect of changes in actuarial assumptions.

Other long-term benefits

Publicis Groupe also recognizes various long-term benefits, primarily seniority payments, long-service awards, in France in particular, and certain multi-year plans for which the deferred compensation is linked to continued employment.

Change in the actuarial benefit obligation

	December 31, 2017			December 31, 2016		
(in millions of euros)	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Opening actuarial benefit obligation	**(722)**	**(25)**	**(747)**	**(685)**	**(26)**	**(711)**
Cost of services rendered during the year	(26)	-	(26)	(23)	-	(23)
Benefits paid	44	2	46	41	2	43
Interest expense on benefit obligation	(19)	(1)	(20)	(22)	(1)	(23)
Effect of remeasurement	(12)	(3)	(15)	(60)	0	(60)
Experience gains (losses)	*4*	*-*	*4*	*0*	*1*	*1*
Gains (losses) arising from a change in economic assumptions	*(16)*	*(1)*	*(17)*	*(55)*	*(1)*	*(56)*
Gains (losses) arising from other changes in demographic assumptions	*-*	*(2)*	*(2)*	*(5)*	*-*	*(5)*
Acquisitions, disposals	(7)	-	(7)	3	-	3
Foreign exchange differences	41	3	44	24	0	24
ACTUARIAL BENEFIT OBLIGATION AT YEAR-END	**(701)**	**(24)**	**(725)**	**(722)**	**(25)**	**(747)**

Change in the fair value of plan assets

	December 31, 2017			December 31, 2016		
(in millions of euros)	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Fair value of plan assets at start of year	**490**	**-**	**490**	**500**	**-**	**500**
Actuarial return on plan assets	45	-	45	46	-	46
Employer contributions	27	1	28	23	2	25
Administrative fees	(1)	-	(1)	(1)	-	(1)
Acquisitions, disposals	3	-	3	0	-	0
Benefits paid	(44)	(1)	(45)	(41)	(2)	(43)
Foreign exchange differences	(29)	-	(29)	(37)	-	(37)
FAIR VALUE OF PLAN ASSETS AT YEAR-END	**491**	**-**	**491**	**490**	**-**	**490**
SURPLUS (DEFICIT)	**(210)**	**(24)**	**(234)**	**(232)**	**(25)**	**(257)**
Effect of ceiling on value of assets	(44)	-	(44)	(34)	-	(34)
Effect of minimum financing requirement	(1)	-	(1)	(6)	-	(6)
NET PROVISION FOR OBLIGATIONS FOR DEFINED BENEFIT PENSION LIABILITIES AND POST-EMPLOYMENT MEDICAL CARE	**(255)**	**(24)**	**(279)**	**(272)**	**(25)**	**(297)**
Provision for other long-term benefits	**(15)**	**-**	**(15)**	**(33)**	**-**	**(33)**
TOTAL PROVISIONS FOR RETIREMENT BENEFIT OBLIGATIONS, OTHER POST-EMPLOYMENT AND LONG-TERM BENEFITS	**(270)**	**(24)**	**(294)**	**(305)**	**(25)**	**(330)**

Pension expenses and other post-employment benefits

(in millions of euros)	December 31, 2017			December 31, 2016		
	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Cost of services rendered during the year	(26)	-	(26)	(22)	-	(22)
Financial expense	(7)	(1)	(8)	(7)	(1)	(8)
Defined benefit plan expense	**(33)**	**(1)**	**(34)**	**(29)**	**(1)**	**(30)**
Cost of other plans (including defined contribution plans) and other benefits	(105)	-	(105)	(104)	-	(104)
Administrative fees excluding plan management fees	(1)	-	(1)	(1)	-	(1)
TOTAL RETIREMENT COSTS RECOGNIZED IN THE INCOME STATEMENT	**(139)**	**(1)**	**(140)**	**(134)**	**(1)**	**(135)**

Breakdown of plan assets

The table below provides a breakdown of plans by asset type and by fair value hierarchy. The various fair value hierarchy levels are defined in Note 25.

(in millions of euros)	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Shares	102	-	-	102	120	-	-	120
Bonds	-	121	-	121	-	108	-	108
Treasury bonds	-	204	-	204	-	215	-	215
Real estate	-	-	13	13	-	-	14	14
Other	12	-	39	51	11	-	29	40
TOTAL	**114**	**325**	**52**	**491**	**131**	**323**	**43**	**497**

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Estimate of employer contributions and of future benefits payable

(in millions of euros)	Pension plans	Medical cover	Total
Estimated employer contributions in 2018	23	2	25

(in millions of euros)	Pension plans	Medical cover	Total
Estimated future benefits payable			
2018	48	2	50
2019	41	2	43
2020	41	2	43
2021	41	2	43
2022	39	2	41
2023 to 2027	196	9	205
TOTAL OVER THE NEXT 10 FINANCIAL YEARS	**406**	**19**	**425**

The average duration of plans at end-December 2017 was 13.16 years.

Actuarial assumptions (weighted average rates)

Discount rates are calculated using the rates of long-term investment grade corporate bonds (minimum AA rating) with maturities equivalent to the length of the plans assessed. They are determined based on external indexes commonly considered to be benchmarks, namely the iBoxx in Europe and the City Group Index in the United States.

	Pension plans				Post-employment medical cover	
December 31, 2017	**United States**	**United Kingdom**	**Euro zone**	**Other countries**	**United States**	**United Kingdom**
Discount rate	3.22%	2.40% – 2.50%	1.20%	0.30% – 7.15%	3.22%	2.40% – 2.50%
Future wage increases	n/a	3.95% – 4.20%	2.25%(1)	1.50% – 8.00%	5.00%	n/a
Future pension increases	n/a	1.90% – 3.60%	1.70%(1)	n/a	n/a	n/a

	Pension plans				Post-employment medical cover	
December 31, 2016	**United States**	**United Kingdom**	**Euro zone**	**Other countries**	**United States**	**United Kingdom**
Discount rate	3.58%	2.15% – 2.35%	1.50%	0.30% – 6.55%	3.58%	2.55% – 2.70%
Future wage increases	n/a	3.75% – 4.00%	2.25%(1)	1.50% – 10.00%	5.00%	n/a
Future pension increases	n/a	1.70% – 3.50%	1.70%(1)	n/a	n/a	n/a

(1) For Germany only.

The rate of increase in medical expenses used for 2017 is 7.5% with a gradual decrease to 4.5%.

Sensitivity analysis

	0.5% increase				
Pension plans *(in millions of euros)*	**United States**	**United Kingdom**	**Euro zone**	**Others**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	(11)	(17)	(7)	(7)	(42)
Change in the increase rate of salaries Effect on actuarial benefit obligation at year-end	-	-	5	6	11

	0.5% decrease				
Pension plans *(in millions of euros)*	**United States**	**United Kingdom**	**Euro Zone**	**Others**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	12	19	8	8	47
Change in the increase rate of salaries Effect on actuarial benefit obligation at year-end	-	-	(4)	(4)	(8)

	0.5% increase			0.5% decrease		
Post-employment medical cover *(in millions of euros)*	**United States**	**United Kingdom**	**Total**	**United States**	**United Kingdom**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	(1)	-	(1)	1	-	1
Change in the increase rate of salaries Effect on actuarial benefit obligation at year-end	-	-	-	-	-	-

Note 22 Borrowings and other financial liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Bonds (excl. accrued interest)	1,792	1,791
Other debts	1,338	1,520
TOTAL BORROWINGS AND OTHER FINANCIAL LIABILITIES	**3,130**	**3,311**
OF WHICH SHORT-TERM	**350**	**283**
OF WHICH LONG-TERM	**2,780**	**3,028**

Change in financial liabilities

			Changes excl. cash and cash equivalents			
(in millions of euros)	December 31, 2016	Cash Flow	Acquisitions	Exchange rate fluctuations	Changes in fair value	December 31, 2017
Eurobond 1.125% – December 2021 (EIR 1.261%)(1)	695	-	-	-	1	696
Eurobond 0.5% – November 2023 (EIR 0.741%)(1)	492	-	-	-	1	493
Eurobond 1.625% – December 2024 (EIR 1.732%)(1)	604	-	-	-	(1)	603
Bonds (excl. accrued interest)	**1,791**	**-**	**-**	**-**	**1**	**1,792**
Medium-term syndicated loan	**972**	**-**	**-**	**(63)**	**-**	**909**
Debt related to acquisitions of shareholdings	**316**	**(232)**	**76**	**(24)**	**111**	**247**
Debt arising from commitments to buy out non-controlling interests	**62**	**(32)**	**7**	**(1)**	**3**	**39**
Accrued interest	4	-	-	-	2	6
Other borrowings and credit lines	40	(19)	-	-	-	21
Bank overdrafts	25	5	-	(3)	-	27
Debt related to finance leases	101	-	-	(12)	-	89
Other financial liabilities	**170**	**(14)**	**-**	**(15)**	**2**	**143**
TOTAL BORROWINGS AND OTHER FINANCIAL LIABILITIES	**3,311**	**(278)**	**83**	**(103)**	**117**	**3,130**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds(2)	164	-	-	-	(174)	(10)
Fair value of hedging derivatives on medium-term syndicated loans(2)	-	-	-	-	(3)	(3)
Fair value of derivative hedging on intra-group loans and borrowings(2)	(3)	-	-	-	20	17
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**3,472**	**(278)**	**83**	**(103)**	**(40)**	**3,134**

(1) Net of issuance costs. The number of securities at December 31, 2017 is: 7,000 for the Eurobonds maturing in 2021, 5,000 for those maturing in 2023 and 6,000 for those maturing in 2024. The Effective Interest Rate (EIR) is given for each Eurobond.
(2) Carried under "Other receivables and current assets" and/or under "Other debts and current liabilities" on the consolidated balance sheet.

Bonds

Publicis Groupe SA bonds are issued at a fixed rate and denominated in euros.

The tranche of euro 700 million maturing in December 2021 (Eurobond 2021) and the tranche of euro 600 million maturing in December 2024 (Eurobond 2024) were swapped into US dollars, at a fixed rate, for the purposes of financing the acquisition of Sapient Corporation.

The swaps were qualified as cash flow hedges for intercompany US dollar financing. The fair value of these swaps was booked in the balance sheet under "Other creditors and current liabilities" in the amount of euro (10) million as at December 31, 2017 (euro 164 million as of December 31, 2016). The change in the fair value of these instruments was booked in "Other comprehensive income" and transferred to the income statement as interest on debt was paid and the asset value changed in US dollars.

These financial instruments were recognized at fair value according to the level 2 measurement method that corresponds to observable data other than quoted prices for identical assets or liabilities in active markets. This observable data corresponds primarily to exchange rates and interest rates.

In 2017, Publicis Groupe introduced an interest rate swap to hedge itself against interest rate fluctuations in the US dollar component (dollar 555 million) of the variable-rate medium-term syndicated loan.

Analysis by date of maturity

	December 31, 2017						
	Total	Maturity					
(in millions of euros)		-1 year	1-2 years	2-3 years	3-4 years	4-5 years	+5 years
Bonds (excl. accrued interest)	1,792	-	-	-	696	-	1,096
Medium-term syndicated loan	909	149	306	454	-	-	-
Debt related to acquisitions of shareholdings	247	138	50	38	15	6	-
Debt related to commitments to purchase non-controlling interests	39	17	4	11	3	4	-
Other financial liabilities	143	46	8	-	-	-	89
TOTAL FINANCIAL LIABILITIES	**3,130**	**350**	**368**	**503**	**714**	**10**	**1,185**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds	(10)	-	-	-	7	-	(17)
Fair value of derivative hedging on intra-group loans and borrowings	14	14	-	-	-	-	-
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**3,134**	**364**	**368**	**503**	**721**	**10**	**1,168**

	December 31, 2016						
	Total	Maturity					
(in millions of euros)		–1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	+5 years
Bonds (excl. accrued interest)	1,791	-	-	-	-	695	1,096
Medium-term syndicated loan	972	-	324	324	324	-	-
Debt related to acquisitions of shareholdings	316	197	79	31	9	-	-
Debt related to commitments to purchase non-controlling interests	62	23	16	10	11	2	-
Other financial liabilities	170	63	6	-	-	-	101
TOTAL FINANCIAL LIABILITIES	**3,311**	**283**	**425**	**365**	**344**	**697**	**1,197**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds	164	-	-	-	-	105	59
Fair value of derivative hedging on intra-group loans and borrowings	(3)	(3)	-	-	-	-	-
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**3,472**	**280**	**425**	**365**	**344**	**802**	**1,256**

Analysis by currency

(in millions of euros)	December 31, 2017	December 31, 2016
Euros*	2,263	2,283
US dollars	713	802
Other currencies	154	226
TOTAL	**3,130**	**3,311**

** Including euro 1,289 million in Eurobonds, swapped to US dollars on December 31, 2017 (euro 1,299 million at December 31, 2016).*

Analysis by interest rate type

See Note 26. Risk management – "Exposure to interest rate risk".

Exposure to liquidity risk

Future payments related to financial debt before the impact of discounting (excluding debt linked to finance leases) are as follows:

(in millions of euros)	December 31, 2017						
	Total	Maturity					
		–1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	+5 years
Bonds (excl. accrued interest)	1,914	21	21	21	719	12	1,120
Medium-term syndicated loan	909	149	306	454	-	-	-
Debt related to acquisitions of shareholdings	247	138	50	38	15	6	-
Debt related to commitments to purchase non-controlling interests	39	17	4	11	3	4	-
Other financial liabilities	54	46	8	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**3,163**	**371**	**389**	**524**	**737**	**22**	**1,120**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds	(10)	-	-	-	7	-	(17)
Fair value of derivative hedging on intra-group loans and borrowings	14	14	-	-	-	-	-
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**3,167**	**385**	**389**	**524**	**744**	**22**	**1,103**

(in millions of euros)	December 31, 2016						
	Total	Maturity					
		–1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	+5 years
Bonds (excl. accrued interest)	1,934	21	21	21	21	720	1,130
Medium-term syndicated loan	972	-	324	324	324	-	-
Debt related to acquisitions of shareholdings	316	197	79	31	9	-	-
Debt related to commitments to purchase non-controlling interests	62	23	16	10	11	2	-
Other financial liabilities	70	63	7	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**3,354**	**304**	**447**	**386**	**365**	**722**	**1,130**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds	164	-	-	-	-	105	59
Fair value of derivative hedging on intra-group loans and borrowings	(3)	(3)	-	-	-	-	-
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**3,515**	**301**	**447**	**386**	**365**	**827**	**1,189**

In order to manage its liquidity risk, Publicis holds a substantial amount of cash (cash and cash equivalents) for a total of euro 2,407 million as of December 31, 2017 and undrawn confirmed credit lines representing a total of euro 2,678 million as of December 31, 2017. The main component of these credit lines is a multi-currency syndicated facility in the amount of euro 2,000 million, maturing in 2020. These immediately or almost immediately available sums allow the Group to meet its general funding requirements.

Apart from bank overdrafts, most of the Group's debt is comprised of bonds and the medium-term syndicated loan, none of which are subject to financial covenants. They only include standard credit default event clauses (liquidation, cessation of payment, default on the debt itself or on the repayment of another debt above a given threshold) which are generally applicable above a threshold of euro 25 million.

The Group has not established any credit derivatives to date.

Finance leases

The reconciliation between future minimum payments in respect of finance leases and the discounted value of net minimum payments for those leases is as follows:

	December 31, 2017						
	Total	Maturity					
(in millions of euros)		2018	2019	2020	2021	2022	+5 years
Minimum payments	194	11	11	12	12	12	136
Effect of discounting	(105)	(11)	(11)	(12)	(12)	(12)	(47)
DISCOUNTED VALUE OF MINIMUM PAYMENTS	**89**	**-**	**-**	**-**	**-**	**-**	**89**

	December 31, 2016						
	Total	Maturity					
(in millions of euros)		2017	2018	2019	2020	2021	+5 years
Minimum payments	234	13	13	13	13	14	168
Effect of discounting	(133)	(13)	(13)	(13)	(13)	(14)	(67)
DISCOUNTED VALUE OF MINIMUM PAYMENTS	**101**	**-**	**-**	**-**	**-**	**-**	**101**

Note 23 Other creditors and current liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Advances and deposits received	329	344
Liabilities to employees	586	588
Tax liabilities (excl. income tax)	238	188
Deferred income	452	483
Derivatives backed by current assets or liabilities	11	60
Eurobond 2021 and 2024 derivatives	(10)	164
Derivatives on intercompany loans and borrowings	38	61
Other current liabilities	170	217
TOTAL	**1,814**	**2,105**

Note 24 Commitments

Operating leases

	December 31, 2017						
	Total	Maturity					
(in millions of euros)		2018	2019	2020	2021	2022	+5 years
Commitments given							
Operating leases	1,982	387	207	263	237	190	698
Commitments received							
Sub-lease commitments	40	9	8	7	7	7	2

(in millions of euros)	December 31, 2016 Total	Maturity 2017	2018	2019	2020	2021	+5 years
Commitments given							
Operating leases	2,192	356	313	270	255	227	771
Commitments received							
Sub-lease commitments	13	4	2	2	1	1	2

Lease expenses (net of sub-lease income) amounted to euro 335 million in 2017, compared to euro 344 million in 2016.

Other commitments

(in millions of euros)	December 31, 2017 Total	Maturity -1 year	1 to 5 years	+5 years
Commitments given				
Guarantees[1]	195	39	36	120
Other commitments[2]	274	120	154	-
TOTAL	**469**	**159**	**190**	**120**
Commitments received				
Undrawn confirmed credit lines	2,678	528	2,150	-
Undrawn unconfirmed credit lines	249	249	-	-
Other commitments	19	4	9	6
TOTAL	**2,946**	**781**	**2,159**	**6**

(1) At December 31, 2017, guarantees included undertakings to pay euro 70 million into innovation mutual funds by 2027. They also included guarantees of approximately euro 13 million relating to media-buying operations.
(2) This includes euro 265 million of minimum fees guaranteed under advertising space usage contracts.

(in millions of euros)	December 31, 2016 Total	Maturity -1 year	1 to 5 years	+5 years
Commitments given				
Guarantees[1]	164	70	38	56
Other commitments[2]	375	122	250	3
TOTAL	**539**	**192**	**288**	**59**
Commitments received				
Undrawn confirmed credit lines	2,686	236	2,450	-
Undrawn unconfirmed credit lines	251	251	-	-
Other commitments	20	3	9	8
TOTAL	**2,957**	**490**	**2,459**	**8**

(1) At December 31, 2016, guarantees included a guarantee to pay real estate taxes and expenses relating to the Leo Burnett building in Chicago for a total of euro 11 million, staggered until 2022. They also included guarantees of approximately euro 14 million relating to media-buying operations.
(2) These included euro 359 million of minimum fees guaranteed under advertising space usage contracts.

Obligations related to warrants

The exercise of warrants, which can occur at any time from September 24, 2013 to September 24, 2022, will lead to an increase in the Publicis Groupe's capital stock. The conversion ratio was adjusted by a factor of 1.015 so as to reflect those distributions drawn from the Company's reserves and premiums. Following the cancellation of warrants bought back during previous financial years or exercised since September 24, 2013, Publicis Groupe is, at December 31, 2017, committed to creating (in the event that the outstanding 1,161,509 equity warrants are exercised) 1,178,932 shares with a par value of euro 0.40 and premium of euro 30.10.

Other commitments

As of December 31, 2017, there were no significant commitments such as pledges, guarantees or collateral, or any other significant off-balance sheet commitments, in accordance with currently applicable accounting standards.

Note 25 Financial instruments

Statement of financial position for each category of financial instrument

(in millions of euros)	Value in balance sheet December 31, 2017	Fair value through P&L	Available-for-sale assets	Loans and receivables, Borrowings and liabilities	Assets held to maturity	Debt at amortized cost	Derivative instruments
Other financial assets	169	-	85	81	3	-	-
Trade receivables	9,750	-	-	9,750	-	-	-
Other receivables and current assets(1)	112	-	-	79	-	-	33
Cash and cash equivalents	2,407	2,407	-	-	-	-	-
ASSETS	**12,438**	**2,407**	**85**	**9,910**	**3**	**-**	**33**
Long-term borrowings	2,780					2,780	
Short-term borrowings	350	-	-	-	-	350	-
TOTAL BORROWINGS	**3,130**	**-**	**-**	**-**	**-**	**3,130**	**-**
Trade payables	11,541	-	-	11,541	-	-	-
Other creditors and current liabilities(2)	210	-	-	171	-	-	39
LIABILITIES	**14,881**	**-**	**-**	**11,712**	**-**	**3,130**	**39**

(in millions of euros)	Value in balance sheet December 31, 2016	Fair value through P&L	Available-for-sale assets	Loans and receivables, Borrowings and liabilities	Assets held to maturity	Debt at amortized cost	Derivative instruments
Other financial assets	182	-	83	97	2	-	-
Trade receivables	10,010	-	-	10,010	-	-	-
Other receivables and current assets(1)	194	-	-	70	-	-	124
Cash and cash equivalents	2,228	2,228	-	-	-	-	-
ASSETS	**12,614**	**2,228**	**83**	**10,177**	**2**	**-**	**124**
Long-term borrowings	3,028	-	-	-	-	3,028	-
Short-term borrowings	283	-	-	-	-	283	-
TOTAL BORROWINGS	**3,311**	**-**	**-**	**-**	**-**	**3,311**	**-**
Trade payables	11,992	-	-	11,992	-	-	-
Other creditors and current liabilities(2)	502	-	-	217	-	-	285
LIABILITIES	**15,805**	**-**	**-**	**12,209**	**-**	**3,311**	**285**

(1) Excluding tax claims, advances to suppliers and prepayments (see Note 17).
(2) Excluding advances and deposits received, liabilities to employees, tax liabilities and deferred income (see Note 23).

Income statement per category of financial instruments

(in millions of euros)	December 31, 2017								
					Debt at amortized cost		Loans and receivables		
	Valuation at fair value	Interest on assets remeasured at fair value	Dividends of available-for-sale assets	Impairment of assets held to maturity	Foreign exchange effects	Interest	Foreign exchange effects	Impairment and other reversals	Change in value of derivatives
Operating income	-	-	-	-	-	-	-	(30)	-
Cost of net financial debt	-	50	-	-	-	(101)	-	-	-
Other financial income and expenses(1)	-	-	(1)	-	-	-	(156)	-	155

(in millions of euros)	December 31, 2016								
					Debt at amortized cost		Loans and receivables		
	Valuation at fair value	Interest on assets remeasured at fair value	Dividends of available-for-sale assets	Impairment of assets held to maturity	Foreign exchange effects	Interest	Foreign exchange effects	Impairment and other reversals	Change in value of derivatives
Operating income	-	-	-	-	-	-	-	(23)	-
Cost of net financial debt	-	33	-	-	-	(107)	-	-	-
Other financial income and expenses(1)	-	-	(1)	-	-	-	28	-	(17)

(1) Excluding the financial cost related to discounting long-term vacant property provisions and pension provisions (see Note 7).

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Fair value

The carrying amount of financial assets and liabilities recognized at amortized cost approximates fair value, except for those financial liabilities with a fair value of euro 3,319 million at December 31, 2017 (versus a carrying amount of euro 3,130 million). At December 31, 2016, the fair value of financial liabilities was euro 3,554 million (versus a carrying amount of euro 3,311 million).

The fair values of Eurobonds, convertible bonds have been calculated by discounting the expected future cash flows at market interest rates (fair value Level 2).

Fair value hierarchy

The table below breaks down financial instruments recognized at fair value according to the measurement method used. The different levels of fair value have been defined as follows:

- level 1: quoted prices in active markets for identical instruments;
- level 2: observable data other than quoted prices for identical instruments in active markets;
- level 3: significant unobservable data.

(in millions of euros)	December 31, 2017 Level 1	Level 2	Level 3	Total
Short-term liquid investments	1,390	-	-	1,390
Available-for-sale financial assets	73	-	17	90
Derivative instruments – Assets	-	33	-	33
	1,463	**33**	**17**	**1,513**
Derivative instruments – Liabilities	-	(39)	-	(39)
TOTAL	**1,463**	**(6)**	**17**	**1,474**

(in millions of euros)	December 31, 2016 Level 1	Level 2	Level 3	Total
Short-term liquid investments	112	-	-	112
Available-for-sale financial assets	68	-	18	86
Derivative instruments – Assets	-	124	-	124
	180	**124**	**18**	**322**
Derivative instruments – Liabilities	-	(285)	-	(285)
TOTAL	**180**	**(161)**	**18**	**37**

Note 26 Risk management

Exposure to interest rate risk

Group management determines the allocation of debt between fixed and variable-rate debt, which is periodically reviewed in terms of interest rate trend forecasts.

At the end of 2017, the Group's gross borrowings, excluding debt related to the acquisition of shareholdings and debt relating to commitments to buy out non-controlling interests (minority interests), consisted of:

- 83% in fixed-rate loans with an average interest rate for 2017 of 3%;
- 17% in variable-rate loans.

The table below sets out the carrying amount by maturity on December 31, 2017 of the Group's financial instruments exposed to interest rate risk:

(in millions of euros)	Total at December 31, 2017	Maturity -1 year	Maturity 1 to 5 years	Maturity +5 years
Fixed rate				
Eurobond 2021[(2)(3)]	696	-	696	-
Eurobond 2023[(3)]	493	-	-	493
Eurobond 2024[(1)(3)]	603	-	-	603
Medium-term syndicated loan[(4)]	463	-	463	-
Debt related to finance leases	89	-	-	89
NET FIXED-RATE LIABILITIES (ASSETS)	**2,344**	**-**	**1,159**	**1,185**
Variable rate				
Medium-term syndicated loan	446	149	297	-
Bank borrowings	21	13	8	-
Bank overdrafts	27	27	-	-
Cash and cash equivalents	(2,407)	(2,407)	-	-
Other financial assets	(169)	(169)	-	-
NET VARIABLE-RATE LIABILITIES (ASSETS)	**(2,082)**	**(2,387)**	**305**	**-**

(1) The Eurobond 2024 swaps have the following characteristics:
- *euro 300 million equivalent, 10-year, fixed rate at 2.994%;*
- *euro 300 million equivalent, 10-year, fixed rate at 2.965%.*

(2) The Eurobond 2021 swaps have the following characteristics:
- *euro 350 million equivalent, 7-year, fixed rate at 2.921%;*
- *euro 350 million equivalent, 7-year, fixed rate at 2.918%.*

(3) Net of issuance costs.

(4) Variable rate to fixed rate interest rate swaps purchased in 2017 on the US dollar component (USD 555 million) (see Note 22).

Exposure to exchange rate risk

Net assets

The table below shows the Group's net assets at December 31, 2017 broken down by principal currencies:

(in millions of euros)	Total at December 31, 2017	Euros[(1)]	US dollar	Pound Sterling	Brazilian Real	Yuan	Other
Assets	23,780	3,821	12,243	1,526	509	1,474	4,207
Liabilities	(17,822)	(4,130)	(8,836)	(821)	(286)	(959)	(2,790)
NET ASSETS	**5,958**	**(309)**	**3,407**	**705**	**223**	**515**	**1,417**
Effect of foreign exchange hedges[(2)]		**2,270**	**(2,474)**	**341**	**-**	**2**	**(139)**
NET ASSETS AFTER HEDGING	**5,958**	**1,961**	**933**	**1,046**	**223**	**517**	**1,278**

(1) Currency used to present consolidated financial statements

(2) The financial instruments used to hedge foreign exchange risk are mainly currency swaps

In addition, changes in exchange rates against the euro, the presentation currency used in the Group's financial statements, can have an impact on the Group's consolidated balance sheet and consolidated income statement.

Revenue and operating margin

The breakdown of Group revenue by the currency in which it is earned is as follows:

	2017	2016
Euro	15%	15%
US dollar	52%	52%
Pound Sterling	9%	9%
Other	24%	24%
TOTAL REVENUE	**100%**	**100%**

The impact of a drop of 1% in the euro exchange rate against the US dollar and the Pound sterling would be (favorable impact):

- euro 58 million on 2017 consolidated revenue;
- euro 9 million on the 2017 operating margin.

The majority of our commercial dealings are done in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is not very significant and is occasionally hedged through currency hedging agreements.

As regards intercompany loans/borrowings, these are subject to appropriate hedges if they present a significant net exposure to exchange rate risk.

Derivatives used are generally forward currency contracts or currency swaps.

Exposure to client counterparty risk

The Group analyzes its trade receivables, focusing in particular on improving the time taken to recover such receivables, in the context of the management of its working capital requirements. The Group Treasury Department monitors overdue receivables for the entire Group. In addition, the Group periodically reviews the list of its main clients in order to determine exposure to client counterparty risk at Group level and, if necessary, it puts in place specific monitoring in the form of a weekly summary of the Group's exposure to certain clients.

Any impairments required are assessed on an individual basis and take into account different criteria such as the client's situation and delays in payment. No general provisions are recorded on an overall basis.

The following table shows the period overdue of trade receivables invoiced over the last two financial years:

(in millions of euros)	2017	2016
Amounts not yet due	**6,023**	**6,295**
Overdue receivables:		
Up to 30 days	418	516
31 to 60 days	120	150
61 to 90 days	68	50
91 to 120 days	29	28
More than 120 days	141	128
TOTAL OVERDUE RECEIVABLES	**776**	**872**
INVOICED TRADE RECEIVABLES	**6,799**	**7,167**
Impairment	(90)	(85)
INVOICED TRADE RECEIVABLES NET	**6,709**	**7,082**

Disclosures regarding major clients

(% of revenue)	2017	2016
Five largest clients	13%	14%
Ten largest clients	19%	20%
Twenty largest clients	30%	30%
Thirty largest clients	36%	37%
Fifty largest clients	44%	45%
One hundred largest clients	55%	55%

Exposure to bank counterparty risk

Publicis has established a group-wide policy for selecting authorized banks as counterparties for all its subsidiaries. This policy requires that deposits be made in authorized banks and that in general all banking services be provided exclusively by these banks. The list of authorized banks is reviewed periodically by the Group Treasury Department. Exceptions to this policy are handled centrally for the entire Group by the treasury office.

Additionally, studies are carried out in order to ensure that almost all cash and cash equivalents are deposited in authorized banks.

Other

As part of the inquiry carried out by the Antitrust Division of the United States' Department of Justice on video production in advertising, one of Publicis Groupe's subsidiaries received a subpoena to provide elements on December 14, 2016. With the advice of outside counsel, the Group continued to collaborate fully and productively with the investigation.

Note 27 Operating segment information

Information by business sector

The Publicis Groupe structure, developed over several years, is designed to provide the Group's clients with comprehensive, holistic communication services involving all disciplines. The new Group structure, put in place on January 1, 2016, primarily led to existing agency networks being grouped together by division, but retains a client-centered approach. In consequence, the new structure has not resulted in any fundamental changes to the way in which operating segment information to be presented is analyzed.

The Group has, therefore, identified operating segments which correspond to hubs and which may be categorized together since they share similar economic features (similar margins across the various operating segments) and provide similar services (a full range of advertising and communications services) and do so for similar types of clients (the vast majority of the Group's top 50 clients are clients of several operating segments). The operating segments are thus pooled into a single sector in accordance with IFRS 8.

Reporting by region

Given the importance of geographic location for the analysis of the business, the Group has chosen to provide specific information by region.

Data are established on the basis of the location of the agency.

Year 2017

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
Income statement items						
Revenue[1]	2,758	5,187	1,060	389	296	9,690
Depreciation and amortization expense (excluding intangibles from acquisitions)	(55)	(76)	(22)	(5)	(3)	(161)
Operating Margin	423	831	151	64	36	1,505
Amortization of intangibles from acquisitions	(15)	(54)	(2)	(2)	-	(73)
Impairment	(52)	(2)	(58)	-	(3)	(115)
Non-current income and expenses	20	(15)	4	(4)	(6)	(1)
Operating income after impairment	**376**	**760**	**95**	**58**	**27**	**1,316**
Balance sheet items						
Goodwill, net	2,415	4,393	1,066	372	204	8,450
Intangible assets, net	109	1,002	1	9	3	1,124
Property, plant and equipment, net	304	213	51	14	8	590
Other financial assets	104	29	29	5	2	169
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(53)	(54)	(21)	(5)	(3)	(136)
Purchases of investments and other financial assets, net	13	(12)	1	(1)	1	2
Acquisitions of subsidiaries	(90)	(163)	(19)	(8)	(9)	(289)

(1) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones.

See Note 26 for information by currency on the exposure to exchange rate risk presented by liabilities.

Year 2016

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
Income statement items						
Revenue[(1)]	2,760	5,236	1,085	365	287	9,733
Depreciation and amortization expense (excluding intangibles from acquisitions)	(56)	(78)	(23)	(5)	(4)	(166)
Operating Margin	**429**	**813**	**173**	**51**	**50**	**1,516**
Amortization of intangibles from acquisitions	(18)	(56)	(2)	(3)	-	(79)
Impairment	(310)	(1,029)	(59)	(1)	(41)	(1,440)
Non-current income and expenses	13	-	-	(2)	1	12
Operating income after impairment	**114**	**(272)**	**112**	**45**	**10**	**9**
Balance sheet items						
Goodwill, net	2,484	4,850	1,195	416	205	9,150
Intangible assets, net	127	1,202	2	12	2	1,345
Property, plant and equipment, net	300	259	55	17	9	640
Other financial assets	105	39	31	5	2	182
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(70)	(66)	(30)	(4)	(3)	(173)
Purchases of investments and other financial assets, net	(8)	(4)	1	-	(1)	(12)
Acquisitions of subsidiaries	(110)	(88)	(28)	(5)	(9)	(240)

(1) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones.

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Note 28 Publicis Groupe SA stock option and free share plans

Two types of free share plans were created during 2017, with the following features:

- Long-Term Incentive Plan "LTIP 2017" (May 2017)

  Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions. Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares delivered will depend on the overall attainment of growth and profitability targets in 2017. The shares, awarded in May 2017, will vest in May 2020.
- Long-Term Incentive Plan "Sapient 2017 Plan" (June 2017)

  In accordance with the agreements entered into during the acquisition of Sapient, and as a transitional measure for financial years 2015 to 2017, at the same time as LTIP 2017, which concerns only Group employees to the exclusion of Publicis.Sapient employees, two specific plans were introduced in respect of 2017 to the exclusive benefit of Publicis.Sapient directors and employees. The first plan is conditional only upon continued employment and gives rise to the delivery of one-quarter of the shares awarded on the dates of the first four anniversaries of the plan (*i.e.* in June 2017, 2018, 2019 and 2020). In addition to the condition of continued employment, the second plan is conditional upon performance criteria, such that the total number of shares delivered shall depend on the level of attainment of targets in respect of 2017, 2018 and 2019. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, *i.e.* in June 2020.

In addition, the performance of the following plans was assessed in 2017:

- LTIP 2016: the performance targets set for 2016 were 50% achieved;
- Sapient 2015 and 2016 Plans: the targets set for 2016 were not achieved;
- Lionlead3 2016-2018 Plan: the targets set for 2016 were 75% achieved.

Share subscription or purchase options originated by Publicis Groupe

Characteristics of Publicis Groupe stock option plans as of December 31, 2017

Plans	Type[(1)]	Date of grant	Exercise price of options *(in euros)*	Options outstanding on January 1, 2017 (or if later: the grant date)	Options canceled, lapsed or transferred[(2)] in 2017	Options exercised in 2017	Outstanding options at December 31, 2017	Of which exercisable at December 31, 2017	Expiry date	Remaining contract life *(in years)*
23rd tranche LTIP 2006-2008	A	08/24/2007	31.31	111,419	(29,980)	(81,439)	-	-	08/24/2017	-
Co-investment 2013 France – options	A	04/30/2013	52.76	323,371	-	(39,358)	284,013	284,013	04/30/2023	5.33
Co-investment 2013 Outside France – options	A	04/30/2013	52.76	1,790,362	(48,823)	(638,015)	1,103,524	1,103,524	04/30/2023	5.33
TOTAL OF ALL TRANCHES				**2,225,152**	**(78,803)**	**(758,812)**	**1,387,537**	**1,387,537**		

(1) A = stock options; S = share subscription options.
(2) These relate to any transfers between French and foreign plans due to the geographic mobility of beneficiaries.

The award of the share purchase or subscription options under the above plans is conditional on continued employment throughout the vesting period. It is also subject to non-market performance conditions. The vesting period for the above plans has been completed, but the exercise of options remains subject to a continued presence condition until the date of exercise of the options.

Movements in publicis groupe stock option plans over the past two years

	2017		2016	
	Number of options	Average exercise price *(in euros)*	Number of options	Average exercise price *(in euros)*
OPTIONS AT JANUARY 1	**2,225,152**	**51.69**	**5,372,943**	**50.72**
Options granted during the year	-		-	
Options exercised[(1)]	(758,812)	50.46	(404,760)	33.75
Canceled or lapsed options	(78,803)	44.60	(2,743,031)	52.43
OPTIONS OUTSTANDING AT DECEMBER 31	**1,387,537**	**52.76**	**2,225,152**	**51.69**
Of which exercisable	1,387,537	52.76	434,790	47.26
(1) Average share price on exercise (in euros)		*61.88*		*62.10*

Free share plans originated by Publicis Groupe

Characteristics of Publicis Groupe free share plans as of December 31, 2017

Plans	Date of initial grant	Grants as of January 1, 2017 (or if later: date of grant)	Shares canceled, lapsed or transferred(1) in 2017	Shares vesting in 2017(2)	Shares yet to vest at December 31, 2017	Vesting date of shares(3)	Remaining contract life *(in years)*
50 free shares plan 2013 – 26 countries	02/01/2013	116,400	(2,125)	(114,275)	-	02/01/2017	-
LTIP Plan 2013 – Outside France	04/16/2013	252,990	(34,796)	(218,194)	-	04/16/2017	-
LTIP Plan 2013-2015 (Directoire Outside France)	06/17/2013	18,632	-	(18,632)	-	06/17/2017	-
Co-investment Plan 2013 Outside France – Shares	04/30/2013	504,118	1,365	(505,483)	-	04/30/2017	-
LTIP Plan 2014 – France	03/20/2014	34,781	(2,300)	(32,481)	-	03/20/2017	-
LTIP Plan 2014 – Outside France	03/20/2014	229,325	(16,467)	-	212,858	03/20/2018	0.22
LTIP Plan 2015 – France	04/17/2015	36,182	(900)	-	35,282	04/17/2018	0.29
LTIP Plan 2015 – Outside France	04/17/2015	247,201	(18,638)	-	228,563	04/17/2019	1.29
Sapient 2015 Plan (4-year)	04/17/2015	277,452	(48,459)	(116,043)	112,950	2016-2019	1.29
Sapient 2015 Plan (3-year)	04/17/2015	42,665	(30,774)	(5,628)	6,263	04/17/2018	0.29
LTIP Plan 2016	06/23/2016	745,600	(428,100)	-	317,500	06/23/2019	1.48
LTIP Plan 2016-2018 Directoire and "Directoire +"	06/23/2016	120,000	-	-	120,000	06/23/2019	1.48
2016-2018 LionLead3 Plan – France	06/16/2016	509,652	40,822	-	550,474	06/16/2019	1.46
2016-2018 LionLead3 Plan – International	06/16/2016	3,239,379	(429,177)	-	2,810,202	06/16/2020	2.46
2016-2018 LionLead3 Plan Directoire and "Directoire +"	06/16/2016	833,976	(173,745)	-	660,231	06/23/2019	1.48
Sapient 2016 Plan (4-year)	04/15/2016	381,342	(53,301)	(101,259)	226,782	2017-2020	2.29
Sapient 2016 Plan (3-year)	04/15/2016	61,262	(43,954)	(9,328)	7,980	04/15/2019	1.29
LTIP 2017 Plan	05/18/2017	678,450	(11,550)	-	666,900	05/18/2020	2.38
Sapient 2017 Plan (4-year)	06/15/2017	240,048	(12,138)	-	227,910	2018-2021	3.46
Sapient 2017 Plan (3-year)	06/15/2017	287,952	(25,602)	-	262,350	06/15/2020	2.46
TOTAL FREE SHARE PLANS		**8,857,407**	**(1,289,839)**	**(1,121,323)**	**6,446,245**		

(1) These relate to any transfers between French and foreign plans due to the geographic mobility of beneficiaries.
(2) In exceptional cases, as described in the plan regulations, shares may be delivered prior to the end of the vesting period.
(3) Plans allocated prior to 2016: French beneficiaries must observe an additional two-year lock-in period after vesting.

The award of the free shares under the above plans is conditional on continued employment throughout the vesting period. Awards are also subject to non-market performance conditions for plans LTIP 2012 to 2017, for the 2013 Co-investment Plan (available only to members of the Management Board), for the Sapient 2015 to 2017 Plans, for which the vesting period is three years, and lastly for the Lionlead3 Plan (which is also subject to a market condition).

Movements in Publicis Groupe free share plans over the last two years

	2017	2016
PROVISIONAL SHARE GRANTS AT JANUARY 1	**7,650,957**	**3,019,291**
Provisional grants during the year	1,206,450	6,101,239
Grants vesting (deliveries)	(1,121,323)	(299,238)
Grants lapsed	(1,289,839)	(1,170,335)
PROVISIONAL GRANTS AT DECEMBER 31	**6,446,245**	**7,650,957**

Fair value of free Publicis Groupe shares granted during the year

Free shares	LTIP 2017[1]	Sapient 2017 (4 years)	Sapient 2017 (3 years)[2]
Date of Management Board meeting	05/18/2017	06/15/2017	06/15/2017
Number of shares originally granted	678,450	240,048	287,952
Initial valuation of shares granted (weighted average, in euros)	59.38	61.48	60.36
Assumptions:			
Share price on the grant date *(in euros)*	65.50	67.10	67.10
Lock-in period *(in years)*	3	4	3

(1) Conditional shares whose vesting is subject to the achievement of targets set for 2017.
(2) Conditional shares subject to the achievement of targets set for 2017, 2018 and 2019.

Effect of share subscription or stock option plans and free share plans on profit (loss)

The total impact of these plans on the 2017 income statement was euro 55 million (excluding taxes and social security charges), compared to euro 55 million in 2016 (see Note 3 – "Personnel expenses").

With regard to the free share plans granted subject to performance conditions, the rights of which were still to be vested as of December 31, 2017, the probability of the targets for 2017 being met has been estimated as follows:

- LTIP 2017 Plan: 50%;
- LTIP Plan 2016-2018 (Directoire & "Directoire +"): 50%;
- LionLead3 2016-2018 Plan (excluding Directoire & "Directoire +"): 75%;
- LionLead3 2016-2018 Plan (Directoire & "Directoire +"): 75%;
- Sapient 2015, 2016 and 2017 Plans (3-year performance): 100%.

Note 29 Related party disclosures

Related-party transactions

The balance of related-party transactions is presented below and mainly concerns the OnPoint and ZAG entities in 2017 and OnPoint and Viva Tech in 2016:

(in millions of euros)	2017	2016
Receivables	13	22
Liabilities	-	7

Compensation of managers

Managers include individuals who were members of the Supervisory Board or Management Board, at the reporting date or during the year ended.

(in millions of euros)	2017	2016
Total gross compensation[1]	(10)	(10)
Post-employment benefits[2]	-	-
Other long-term benefits[3]	6	1
Share-based payments[4]	(2)	(2)

(1) Compensation, bonuses, indemnities, directors' fees and benefits in kind paid during the year.
(2) Change in pension provisions (net impact on income statement).
(3) Increase/release of provisions for deferred compensation and contingent bonuses.
(4) Expense recognized in the income statement under the Publicis Groupe share subscription and purchase options and free share plans.

In addition, the total accounting provision as of December 31, 2017 for retirement and other long-term benefits for senior management amounted to euro 1 million. This figure was euro 7 million on December 31, 2016.

Note 30 Subsequent events

None

Note 31 Fees of the statutory auditors and members of their network

The fees paid by Publicis Groupe SA during 2017 and 2016 to all of the Group's statutory auditors were as follows:

	Ernst & Young				Mazars				Total			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%		Amount (excl. taxes)		%	
(in millions of euros)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Statutory audit												
Publicis Groupe SA (parent company)	0.9	0.9	13%	13%	0.4	0.4	8%	8%	1.3	1.3	11%	11%
Audit of financial statements	0.8	0.7			0.4	0.4			1.2	1.1		
Other services	0.1	0.2			0	0			0.1	0.2		
Subsidiaries	0.2	0.3	3%	4%	0.6	0.6	12%	13%	0.8	0.9	7%	8%
Audit of financial statements	0.2	0.3			0.6	0.6			0.8	0.9		
Other services	0	0			0	0			0	0		
SUBTOTAL	**1.1**	**1.2**	**16%**	**17%**	**1.0**	**1.0**	**20%**	**21%**	**2.1**	**2.2**	**18%**	**19%**
Network												
Audit of financial statements	5.3	5.3	78%	76%	3.7	3.7	74%	77%	9.0	9.0	76%	76%
Other services	0.4	0.5	6%	7%	0.3	0.1	6%	2%	0.7	0.6	6%	5%
SUBTOTAL	**5.7**	**5.8**	**84%**	**83%**	**4.0**	**3.8**	**80%**	**79%**	**9.7**	**9.6**	**82%**	**81%**
TOTAL	**6.8**	**7.0**	**100%**	**100%**	**5.0**	**4.8**	**100%**	**100%**	**11.8**	**11.8**	**100%**	**100%**

Note 32 List of main consolidated companies on December 31, 2017

A) Fully consolidated companies

The companies listed below are our operating companies with 2017 revenue of at least euro 10 million.

Name	Voting rights	Shareholding	Country
Metrobus Publicité SA	67.00%	67.00%	France
Mediagare SNC	100.00%	67.00%	France
MediaRail SNC(2)	100.00%	67.00%	France
Drugstore Champs-Élysées SNC	100.00%	100.00%	France
Razorfish France SAS	100.00%	100.00%	France
Marcel SAS	100.00%	99.99%	France
Publicis Conseil SA	99.99%	99.99%	France
Publicis Consultants France SARL	99.99%	99.99%	France
Publicis Activ France SA	100.00%	99.95%	France
Leo Burnett SAS	100.00%	100.00%	France
Publicis Life Brands SA	100.00%	100.00%	France
Saatchi & Saatchi SAS(2)	100.00%	100.00%	France

Name	Voting rights	Shareholding	Country
Publicis Media France SA[(1)]	100.00%	100.00%	France
Publicis Events SAS[(2)]	100.00%	100.00%	France
DigitasLBi SAS	100.00%	100.00%	France
Independence Media SAS	100.00%	100.00%	France
Advance Marketing Services SAS	100.00%	100.00%	France
World Advertising Movies SAS	100.00%	100.00%	France
Publicis Webformance SAS[(2)]	100.00%	100.00%	France
Publicis ETO SAS[(1)]	100.00%	100.00%	France
SCAP SARL	100.00%	100.00%	France
The Creative Counsel Pty Ltd	100.00%	70.35%	South Africa
MMS Communication South Africa Pty Ltd	100.00%	70.35%	South Africa
AKM3 GmbH	100.00%	100.00%	Germany
MetaDesign GmbH[(1)]	100.00%	100.00%	Germany
CNC AG	100.00%	100.00%	Germany
Zenithmedia Dusseldorf GmbH	100.00%	100.00%	Germany
Saatchi & Saatchi GmbH	100.00%	100.00%	Germany
Leo Burnett GmbH	100.00%	100.00%	Germany
Performics – Newcast GmbH	100.00%	100.00%	Germany
Starcom MediaVest Group Germany GmbH[(2)]	100.00%	100.00%	Germany
Sapient GmbH	100.00%	100.00%	Germany
Publicis Pixelpark GmbH	100.00%	100.00%	Germany
Publicis Media GmbH	100.00%	100.00%	Germany
Pixelpark GmbH[(1)]	100.00%	100.00%	Germany
Abdulkader Suleiman El Khereiji & Brothers Advertising Company	100.00%	100.00%	Saudi Arabia
MMS Comunicaciones Argentina SRL	100.00%	100.00%	Argentina
Match Media Australia Ltd	100.00%	100.00%	Australia
Publicis Loyalty Pty Ltd	100.00%	100.00%	Australia
Saatchi & Saatchi Australia Pty Ltd[(1)]	100.00%	100.00%	Australia
Leo Burnett (VIC) Pty Ltd	100.00%	100.00%	Australia
Leo Burnett Pty Ltd	100.00%	100.00%	Australia
Starcom MediaVest Group Pty Ltd	100.00%	100.00%	Australia
Publicis Australia Pty Ltd	100.00%	100.00%	Australia
SapientRazorfish Australia Pty Limited[(1)]	100.00%	100.00%	Australia
ZenithOptimedia Australia Pty Ltd	100.00%	100.00%	Australia
Proximedia SA	100.00%	100.00%	Belgium
DPZ&T Communicação Ltda	100.00%	100.00%	Brazil
PBC Comunicaçao Ltda	100.00%	100.00%	Brazil
Leo Burnett Publicidade Ltda	99.99%	99.99%	Brazil
F/Nazca S&S Publicidade Ltda	98.00%	98.00%	Brazil
Talent Marcel Comunicação e Planejamento Ltda	99.78%	99.78%	Brazil
BRZ/Neogama Comunicações Ltda	100.00%	100.00%	Brazil
Leo Burnett Company Ltd	100.00%	100.00%	Canada
TMG MacManus Canada Inc.	100.00%	100.00%	Canada
Publicis Canada Inc.	100.00%	100.00%	Canada
Saatchi & Saatchi Advertising Inc.	100.00%	100.00%	Canada
Sapient Canada Inc.	100.00%	100.00%	Canada

Name	Voting rights	Shareholding	Country
GB/2 Inc.	100.00%	100.00%	Canada
Nurun Inc.	100.00%	100.00%	Canada
MMS Communications Chile SA	100.00%	100.00%	Chile
Shanghai Genedigi Brand Management Co. Ltd(1)	100.00%	100.00%	China
Publicis Advertising Co. Ltd	100.00%	100.00%	China
Saatchi & Saatchi Great Wall Advertising Co. Ltd	100.00%	100.00%	China
Leo Burnett Shanghai Advertising Co. Ltd	100.00%	100.00%	China
Manning Selvage & Lee Public Relations Consultancy Beijing Co Ltd(1)	100.00%	100.00%	China
Publicis.Sapient China Co. Ltd	100.00%	100.00%	China
MMS Communicaciones Colombia SAS	100.00%	100.00%	Colombia
Leo Burnett Inc.(1)	100.00%	100.00%	South Korea
Flip Media FZ LLC(2)	100.00%	100.00%	United Arab Emirates
Leo Burnett FZ LLC	100.00%	100.00%	United Arab Emirates
Publicis Middle East FZ LLC	100.00%	100.00%	United Arab Emirates
Publicis Media FZ LLC(1)	100.00%	100.00%	United Arab Emirates
Blue449 Agencia de medios, SL(1)	100.00%	100.00%	Spain
Starcom MediaVest Group Iberia SL	100.00%	100.00%	Spain
Publicis Comunicación Espana SL(1)	100.00%	100.00%	Spain
Zenith Media SL	100.00%	100.00%	Spain
Vertiba LLC	100.00%	100.00%	United States
Expicient Inc.	100.00%	100.00%	United States
Run Inc.	100.00%	100.00%	United States
Rokkan Media LLC	100.00%	100.00%	United States
Moxie Marketing Services LLC(1)	100.00%	100.00%	United States
Televest Entertainment Inc.	100.00%	100.00%	United States
Martin Retail Group	70.00%	70.00%	United States
Kekst & Company Inc.(1)	100.00%	100.00%	United States
Publicis Hawkeye Inc.	100.00%	100.00%	United States
Leo Burnett Company Inc.	100.00%	100.00%	United States
Prodigious USA Inc.	100.00%	100.00%	United States
Publicis Health LLC(2)	100.00%	100.00%	United States
Publicis Healthcare Solutions Inc.	100.00%	100.00%	United States
MSLGROUP Americas Inc.(1)	100.00%	100.00%	United States
Publicis, Inc.	100.00%	100.00%	United States
Publicis Media Inc.(1)	100.00%	100.00%	United States
VNC Communications Inc.	100.00%	100.00%	United States
Blue 449 Inc.	100.00%	100.00%	United States
MediaVest Worldwide Inc.	100.00%	100.00%	United States
Saatchi & Saatchi North America Inc.	100.00%	100.00%	United States
Digitas Inc.	100.00%	100.00%	United States
Zenith Media Services Inc.	100.00%	100.00%	United States
Conill Advertising Inc.	100.00%	100.00%	United States
Saatchi & Saatchi X Inc.	100.00%	100.00%	United States
Leo Burnett Detroit Inc.	100.00%	100.00%	United States
Starcom Worldwide Inc.	100.00%	100.00%	United States
Apex Exchange LLC	100.00%	100.00%	United States

Name	Voting rights	Shareholding	Country
Sapient Corporation	100.00%	100.00%	United States
Sapient Government Services Inc.	100.00%	100.00%	United States
Mphasize LLC	100.00%	100.00%	United States
La Communidad Corporation	100.00%	100.00%	United States
Fallon Group Inc.	100.00%	100.00%	United States
Bartle Bogle Hegarty Inc.(1)	100.00%	100.00%	United States
3 Share Inc.	100.00%	100.00%	United States
Publicis Health Media LLC	100.00%	100.00%	United States
Alpha 245 Inc.	100.00%	100.00%	United States
LVL Sunset LLC(1)	100.00%	100.00%	United States
Denuo Ltd	100.00%	100.00%	Hong Kong
MMS Communications Hungary Kft	100.00%	100.00%	Hungary
Law & Kenneth Saatchi & Saatchi Pvt Ltd(2)	100.00%	100.00%	India
TLG India Pvt Ltd	100.00%	100.00%	India
Publicis Communications Pvt Ltd(2)	100.00%	100.00%	India
Sapient Consulting Pvt Ltd	100.00%	100.00%	India
PT. Star Reachers Indonesia	100.00%	51.00%	Indonesia
Super Push (Marketing Systems) Ltd	100.00%	98.04%	Israel
BBR Baumann Ber Rivnay Ltd	100.00%	98.04%	Israel
Zenith Italy Srl	100.00%	100.00%	Italy
Publicis Srl	100.00%	100.00%	Italy
Leo Burnett Company Srl	100.00%	100.00%	Italy
Publicis.Sapient Italy Srl(2)	100.00%	100.00%	Italy
Publicis Media Italy Srl(2)	100.00%	100.00%	Italy
Beacon Communications KK	66.00%	66.00%	Japan
MMS Communications KK	100.00%	100.00%	Japan
Star Reacher Advertising (M) Sdn Bhd(2)	100.00%	100.00%	Malaysia
MMS Communication Mexico SA de CV(1)	100.00%	100.00%	Mexico
Lion Communications Mexico SA de CV	100.00%	100.00%	Mexico
Starcom Worldwide SA de CV	100.00%	100.00%	Mexico
MMS New Zealand Ltd	100.00%	100.00%	New Zealand
Publicis Media Norway AS(1)	100.00%	90.10%	Norway
MMS Communications Netherlands BV	100.00%	100.00%	Netherlands
DMX Media BV	100.00%	100.00%	Netherlands
Publicis Asociados S.A.C.(2)	100.00%	100.00%	Peru
Publicis Jimenez Basic Inc.	100.00%	80.22%	The Philippines
ZenithOptimedia Group Sp z o.o(2)	100.00%	100.00%	Poland
Interactive Solutions Sp. z o.o	100.00%	100.00%	Poland
Starcom Sp z o.o	100.00%	100.00%	Poland
MMS Communications s.r.o(2)	100.00%	100.00%	Czech Republic
Langland Ltd	100.00%	100.00%	United Kingdom
Seven Seconds Ltd(2)	81.00%	81.00%	United Kingdom
Walker Media Ltd(1)	75.87%	75.87%	United Kingdom
MSL Group London Ltd	100.00%	100.00%	United Kingdom
Publicis Ltd	100.00%	100.00%	United Kingdom
Saatchi & Saatchi Group Ltd	100.00%	100.00%	United Kingdom

Name	Voting rights	Shareholding	Country
ZenithOptimedia Ltd(1)	100.00%	100.00%	United Kingdom
Leo Burnett Ltd	100.00%	100.00%	United Kingdom
PG Media Services Ltd	100.00%	100.00%	United Kingdom
Publicis Healthcare Communications Group Ltd	100.00%	100.00%	United Kingdom
Prodigious UK Ltd(2)	100.00%	100.00%	United Kingdom
ZenithOptimedia International Ltd	100.00%	100.00%	United Kingdom
Digital & Direct Communications Ltd	100.00%	100.00%	United Kingdom
Sapient Limited UK	100.00%	100.00%	United Kingdom
DigitasLBi Ltd	100.00%	100.00%	United Kingdom
CNC Communications & Network Consulting Ltd	100.00%	100.00%	United Kingdom
BBH Partners LLP	100.00%	100.00%	United Kingdom
Star Reachers LLC	100.00%	100.00%	Russia
Publicis Groupe Media Eurasia LLC	100.00%	100.00%	Russia
MMS Communications Singapore Pte Ltd	100.00%	100.00%	Singapore
Sapient Consulting (Singapore) Pte Ltd(2)	100.00%	100.00%	Singapore
BBH Communications (Asia Pacific) Pte Ltd	100.00%	100.00%	Singapore
DigitasLBi Sverige AB	100.00%	100.00%	Sweden
Publicis Media Sweden AB	100.00%	100.00%	Sweden
Publicis Media Switzerland AG(1)	100.00%	100.00%	Switzerland
Sapient Switzerland GmbH(2)	100.00%	100.00%	Switzerland
Leo Burnett SA Switzerland	100.00%	100.00%	Switzerland
Publicis Communications Schweiz AG	100.00%	100.00%	Switzerland
Leo Burnett Company Ltd(2)	100.00%	100.00%	Taiwan
Denuo Ltd Taiwan Branch	100.00%	100.00%	Taiwan
Star Reachers Group Company Ltd	100.00%	100.00%	Thailand

(1) Change in corporate name.
(2) Companies on the 2017 list but not on the 2016 list.

B) Associates

Name	Voting rights	Shareholding	Country
Burrell Communications Group	49.00%	49.00%	United States
Jana Mobile Inc.	21.00%	21.00%	United States
OnPoint Consulting, Inc.(1)	100.00%	100.00%	United States
Somupi SA	34.00%	34.00%	France
Matomy Media Group Ltd	24.90%	24.90%	Israel
Insight Redefini Ltd	25.00%	25.00%	Nigeria

(1) Although this company is wholly-owned, it is not, however, controlled by the Group, which only has a significant influence.

5

5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Annual General Meeting of Publicis Groupe,

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Publicis Groupe for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*code de déontologie*) for statutory auditors.

III. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revenue recognition

(Note 1.3 "Revenue" to the consolidated financial statements)

Risk identified	Service contracts between the Group and its clients include specific contractual terms. Accounting standards related to the recording of this type of agreements require a detailed analysis of contractual obligations and criteria for the recognition of the performance of the services, particularly in case of complex agreements. Total revenue amounts to €9,690m as of December 31, 2017. An error in the analysis of contractual obligations and their performance may lead to an error in revenue recognition. Consequently, we consider revenue recognition to be a key audit matter.
Our response	• For each type of contract, we familiarized ourselves with the revenue recognition process established by the management, from the conclusion of the agreement, through the performance of the services, invoicing and booking the corresponding entries in the accounts, to the receipt of payment. • We evaluated the key controls concerning the processes and information systems relating to revenue. • We reviewed the appropriateness and correct application of the accounting principles and methods relating to revenue recognition. • We performed tests of details to ensure that revenue is recognized in conformity with the signed agreements as well as other external supporting evidence. We also assessed the proper cut-off of accounting periods. • We reviewed the recoverability of trade receivables.

Valuation of goodwill and intangible assets

(Notes 1.3 "Goodwill", 5, 10 and 11 to the consolidated financial statements)

Risk identified	The business development of Publicis Groupe notably involves external growth transactions. These acquisitions have resulted in the recording of significant goodwill and intangible assets in the consolidated balance sheet. As of December 31, 2017, net goodwill amounts to €8,450m in the consolidated balance sheet and net intangible assets amount to €1,124m. Impairment losses based on impairment tests amount to €108m for the year 2017. Publicis Groupe performs impairment tests at least once a year. An impairment loss is recognized whenever the recoverable amount is below the carrying amount, the recoverable amount being the higher of value in use and fair value less transaction costs. The valuation of the recoverable amount of these assets involves the use of numerous estimates and judgments from the management of Publicis Groupe, in particular the assessment of the competitive, economic and financial environment in the countries where the Group operates, the Group's ability to generate operating cash flow as a result of strategic plans, in particular the levels of revenue and operating margin, and the determination of discount and growth rates. We consider that the valuation of goodwill and intangible assets constitutes a key audit matter, given the sensitivity of these items to the assumptions used by the management and the materiality of the amount in the financial statements.
Our response	• We gained an understanding of the procedure and key controls set up by the management to perform the impairment tests and notably for the determination of the cash flows used to calculate the recoverable amount. • In order to assess the reliability of the business plan data used to calculate the recoverable amount: — we compared the 2018 business plan projections with the previous business plans and with the actual results for the fiscal years concerned; — we conducted interviews with the independent expert engaged by Publicis Groupe for impairment tests' purposes and with the financial and operational managers of Publicis Groupe to evaluate the main assumptions used in the business plans and compare these assumptions with the explanations obtained; — we compared the main assumptions used by the management of Publicis Groupe concerning revenue, operating margin and investments with external data when available, such as market studies or analysts' reports; — we evaluated the sensitivity analyses performed by the independent expert and carried out our own sensitivity analyses on the key assumptions in order to assess the potential impacts of these assumptions on the conclusions of the impairment tests. • Concerning the models used to determine the recoverable amounts, we involved our valuation experts in order to: — test the mathematical reliability of the models and re-calculate the amounts; — evaluate the methods used to determine the discount and infinite growth rates, compare these rates with market data or external sources and re-compute these rates using our own data sources. • We also assessed the appropriateness of the information set out in Note 5 to the consolidated financial statements, which explains the main key assumptions used to determine the recoverable amounts and the sensitivity analyses relating to the solution Publicis.Sapient.

Provisions for liabilities and charges

(Notes 1.3 "Provisions", 8 "Tax provisions" and 20 to the consolidated financial statements)

Risk identified

Publicis Groupe operates in more than 100 countries and is therefore subject to varying, complex and constantly changing laws and regulations (including tax legislation).

Furthermore, within the framework course of its activity, Publicis Groupe, its subsidiaries or its clients may face, on its own or jointly with other parties, legal actions brought by third parties, by competitors of its clients, by an administrative or regulatory authority or by a consumer association.

The management's evaluation of the associated risks has led Publicis Groupe to recognize provisions for liabilities, charges and litigations in the amount of €269m as at December 31, 2017 (compared to €237m as at December 31, 2016).

In view of the materiality of these provisions, the uncertainty regarding the outcome of the proceedings initiated and the high degree of judgment used by the management to estimate the risks and the amounts recognized, we consider the risks and litigations and the understatement of the corresponding provisions to be a key audit matter.

Our response

- We reviewed the procedures implemented by the management in order to identify and list all the risks related to lawsuits or to commercial, regulatory or tax disputes.
- We considered the internal reports on the disputes prepared by the local teams and compiled by the legal department.
- We assessed the estimate of costs related to these risks:
  - by reviewing the risk analysis performed by Publicis Groupe and by discussing each significant dispute, whether at the litigation or pre-litigation stage, with the legal department and, when applicable, the tax department of the Company and its subsidiaries;
  - by questioning the external advisers of Publicis Groupe or by obtaining legal advice on the most significant disputes, in order to confirm our understanding of the disputes pending or concluded;
  - by assessing the appropriateness of the information provided in the notes to the consolidated financial statements concerning the risks related to any lawsuit or commercial, regulatory or tax dispute.

Current and deferred tax: evaluation of the impacts of the American tax reform

(Notes 8 "Income tax" and 23 to the consolidated financial statements)

Risk identified

As the American tax reform was adopted on December 22, 2017, it is mandatory under IAS 12 to draw the consequences therefrom in terms of evaluating current and deferred tax balances in the consolidated financial statements as of December 31, 2017.

Publicis Groupe is mainly concerned by two of this reform's measures: the reduction in the tax rate, which has a €200m impact on deferred tax balances as of December 31, 2017, and the tax payable on retained earnings which is estimated at €139m as of December 31, 2017.

In view of the difficulty in documenting and obtaining detailed data for each entity for the past thirty years as well as the current lack of hindsight on the interpretation of the law, we consider the measurement of the tax payable in respect of retained earnings to be a key audit matter.

Our response

- We gained an understanding of the methods used to determine the tax on retained earnings, analysed the specially designed calculation model and verified the arithmetical accuracy of the calculations.
- We performed tests of detail on the data used to determine the impacts on current tax: we tested the quality of the information system extracts used and reconciled a sample of these data with the supporting documents available.
- We carried out our own sensitivity analyses on the key assumptions in order to assess its potential impacts on the amount of tax payable.
- We assessed the appropriateness of the information provided in the notes to the consolidated financial statements concerning the tax reform.

IV. Verification of the information pertaining to the Group presented in the management report

As required by law, we have also verified, in accordance with professional standards applicable in France, the information pertaining to the Group presented in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements

V. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Publicis Groupe by the Annual General Meeting held on June 25, 1981 for MAZARS and on June 4, 2007 for ERNST & YOUNG et Autres.

As at December 31, 2017, MAZARS and ERNST & YOUNG et Autres were in the 37th year and 11th year of total uninterrupted engagement respectively (ERNST & YOUNG Audit having served as statutory auditor of Publicis Groupe previously, from 2001 to 2006).

VI. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

VII. Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, February 8, 2018

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG et Autres	
Philippe Castagnac	**Ariane Mignon**	**Vincent de La Bachelerie**	**Valérie Desclève**

CHAPTER

6

Parent company financial statements 2017

6.1 INCOME STATEMENT

(in thousands of euros)	Note	2017	2016
Billings (goods and services)	3	11,604	26,722
Reversal of provisions and expense transfers	4	70,463	3,778
Other income		170	186
TOTAL OPERATING INCOME		**82,237**	**30,686**
Other purchases and external charges		(11,428)	(15,168)
Taxes other than income taxes		(1,818)	(1,975)
Personnel expenses	5	(64,502)	(8,360)
Amortization and increases in provisions		(2,892)	(3,817)
Other expenses		(2,920)	(1,000)
TOTAL OPERATING EXPENSES		**(83,560)**	**(30,320)**
OPERATING INCOME (EXPENSE)		**(1,323)**	**366**
Investment income		183,332	327,517
Interest and other financial income		2,816	10,879
Reversal of financial provisions		1,981	22,293
TOTAL FINANCIAL INCOME		**188,129**	**360,689**
Amortization and increases in provisions		(9,279)	(6,256)
Interest and other financial expenses		(143,700)	(151,719)
TOTAL FINANCIAL EXPENSES		**(152,979)**	**(157,975)**
FINANCIAL INCOME (EXPENSE)	**6**	**35,150**	**202,714**
Net income (loss) before exceptional items and taxes		**33,827**	**203,080**
Exceptional expenses on capital transactions		-	(7)
TOTAL EXCEPTIONAL EXPENSES		**-**	**(7)**
EXCEPTIONAL ITEMS	**7**	**-**	**(7)**
Income taxes	**8**	**48,522**	**17,299**
NET INCOME FOR THE YEAR		**82,349**	**220,372**

6.2 BALANCE SHEET AT DECEMBER 31

(in thousands of euros)	Note	December 31, 2017	December 31, 2016
ASSETS			
Intangible assets	**9.1**		
Concessions and business goodwill		2,991	2,991
Other intangible assets		507	507
Depreciation & Amortization		(1,306)	(1,266)
Property, plant and equipment:	**9.2**		
Land		2,291	2,291
Buildings		3,044	3,044
Machinery and equipment		1,133	1,133
Others		34,629	33,182
Depreciation		(24,645)	(21,814)
Investments and other financial assets			
Investments	9.3	5,637,897	5,637,897
Impairment on investments	9.3	(98,115)	(98,115)
Loans and receivables owed by associates and non-consolidated companies	9.4	2,724,631	3,349,253
Other non-current securities	9.5	1,093	1,093
Loans and other financial assets		232	282
Impairment on investments and other financial assets		(31)	(31)
NON-CURRENT ASSETS		**8,284,351**	**8,910,447**
Trade receivables		55,269	10,541
Other receivables		22,540	7,669
Marketable securities	10	276,888	39,264
Cash and cash equivalents		12	-
CURRENT ASSETS		**354,709**	**57,474**
Prepayments		456	494
Deferred expenses	11	8,033	10,685
Bond redemption premiums	12	11,089	13,033
Unrealized foreign exchange losses	13	42,770	91
TOTAL ASSETS		**8,701,408**	**8,992,224**

(in thousands of euros)	Note	December 31, 2017	December 31, 2016
EQUITY AND LIABILITIES			
Share capital		92,251	90,378
Additional paid-in capital		3,728,617	3,477,037
Statutory reserve		9,038	8,641
Earnings brought forward		198,682	392,599
EQUITY BEFORE NET INCOME FOR THE PERIOD		**4,028,588**	**3,968,655**
Net income for the year		82,349	220,372
SHAREHOLDERS' EQUITY	**15**	**4,110,937**	**4,189,027**
Provisions for liabilities and charges	**16**	**57,910**	**45,138**
Bonds	17	1,802,061	1,802,406
Bank borrowings and overdraft	18	446,225	446,956
Borrowings and other financial liabilities	19	2,162,614	2,256,440
Trade payables		5,110	7,252
Income tax and social security liabilities		27,309	13,693
Other creditors	21	43,628	332
Deferred income	22	2,891	3,307
LIABILITIES		**4,489,838**	**4,530,386**
Unrealized foreign exchange gains	23	42,723	227,673
TOTAL EQUITY AND LIABILITIES		**8,701,408**	**8,992,224**

6.3 STATEMENT OF CASH FLOWS

(in thousands of euros)	**2017**	2016
Cash flows from operating activities		
Net income for the year	**82,349**	**220,372**
Losses on disposals	2,393	3,917
(Reversals)/increases, net of increases/reversals	24,494	(11,878)
Transfer to deferred expenses, net of amortization	2,652	4,872
Amortization of redemption premiums on the Eurobond issue	1,944	1,130
Cash flow	***113,832***	***218,413***
Change in working capital requirements	(78,891)	21,871
NET CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (I)	**34,941**	**240,284**
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(1,447)	(981)
Acquisitions of subsidiaries	-	-
Disposals of subsidiaries	-	-
NET CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (II)	**(1,447)**	**(981)**
Cash flows from financing activities		
Dividends paid to holders of the parent company	(169,655)	(193,250)
Capital increase	9,215	5,998
New bonds	-	493,190
Redemption of bonds and related interest	-	(46,220)
Increases in other borrowings/(loans)	-	(541,025)
Decreases in loans/(other borrowings)	345,840	-
Sale of treasury shares	24,145	20,437
NET CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (III)	**209,545**	**(260,870)**
CHANGE IN CASH AND CASH EQUIVALENTS (I + II + III)	**243,039**	**(21,567)**
Net cash and cash equivalents at beginning of the year	(407,693)	(386,126)
Net cash and cash equivalents at end of the year	(164,654)	(407,693)
CHANGE IN CASH AND CASH EQUIVALENTS	**243,039**	**(21,567)**

6.4 NOTES TO THE FINANCIAL STATEMENTS OF PUBLICIS GROUPE SA

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

The Company's primary business consists in managing its investments and providing services to Group companies.

Additionally, and to a lesser extent, the Company receives rental income from leasing the building it owns in Paris, at 133 avenue des Champs-Élysées.

Note 1 Significant events during the financial year

On March 13, 2017, Publicis Groupe entered into a share buyback agreement with an Investment Services Provider under the share buyback program authorized by the Shareholders' Meeting of May 25, 2016. The buyback period extended from March 14, 2017 to June 30, 2017.

At the end of the contract, 5,000,000 shares were acquired at an average purchase price of euro 64.69 (euro 64.89 per share including the tax on financial transactions).

Note 2 Accounting policies, rules and methods

The parent company's financial statements for the 2017 financial year have been prepared in accordance with the French Chart of Accounts (*plan comptable général*) and in compliance with applicable legal and regulatory texts in France.

Comparability of financial statements

The mandatory application of the ANC 2015-05 regulation on forward financial instruments and hedging transactions as of January 1, 2017 has given rise to the recording of an unrealized foreign exchange loss (see Note 13) and gain of the same amount (See Note 21) amounting to euro 42,716,585 as at December 31, 2017. This new presentation has no impact on the income statement for the financial year. The application of this regulation at December 31, 2016 would have led to an unrealized foreign exchange loss and a corresponding liability in the amount of euro 227,672,896.

With the exception of the point above, the valuation methods used to prepare the 2017 financial statements have remained unchanged from those used to prepare the accounts for the previous financial year.

Intangible assets

Intangible assets subject to amortization consist of the concession of parking spaces, amortized over 75 years (length of the concession), and the goodwill of Publicis Cinema, already fully amortized.

Property, plant and equipment

Property, plant and equipment are recognized at net acquisition cost and are subject to annual depreciation calculated on a straight-line basis over the following periods:

- 50 years — Building on avenue des Champs-Élysées, Paris, France
- 10 to 20 years — Fixtures, fittings and general installations
- 10 years — Machinery and equipment
- 7 years — Carpets
- 4 years — Vehicles
- 3 years — IT equipment

Investments and other financial assets

The gross amount of long-term equity investments is composed of the acquisition price of the securities excluding ancillary expenses. Foreign currency-denominated securities are recognized at their acquisition price translated into euros at the exchange rate applicable on the date of the transaction.

Impairment is recognized whenever the investment's value in use is lower than its carrying amount. Value in use is determined on the basis of objective criteria, such as revalued net assets, capitalized earnings or market capitalization, associated where necessary with more subjective criteria, such as specific industry indicators or ratios determined, in the context of economic assumptions and the Company's growth forecasts, on the basis of the present value of projected future cash flows, and the strategic nature of the investment for the Group.

Marketable securities

Marketable securities primarily include treasury shares, which are classified according to their intended purpose.

A provision for liabilities is recognized for treasury shares allocated to stock option or free share plans in order to reflect the loss resulting from the difference between the subscription price (zero for the free shares) and their cost price.

A provision is recognized for treasury shares that are not allocated to such a plan, as well as for other marketable securities, whenever their current value at the end of year is lower than their carrying amount. The current value of publicly traded securities equals the average quoted price for the final month of the financial year; and for non-listed securities, the probable selling price.

Bonds

Bonds are recognized at their par value.

In cases where a redemption premium exists, the liability is increased by the total amount of such a premium. This premium is offset by the recognition of an asset, which is amortized over the life of the bond on an actuarial basis.

In cases where an issue premium exists, the liability is recognized at par value and the issue premium is recognized as an asset; the issue premium is amortized over the life of the bond.

6

Provisions for liabilities and charges

Provisions are funded when:

- the Company has a (legal or constructive) present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the amount of the outflow can be estimated reliably.

Where the effect of the time value of money is material, provisions are discounted, with the increase in the amount of the provision resulting from the unwinding of the discounting being recognized under financial expenses.

Contingent liabilities are not recognized but, where material, are disclosed in the Notes to the financial statements.

Financial instruments

In principle, the derivatives established by the company are subscribed for hedging purposes only. The accounting treatment of these instruments is:

- derivatives purchased to hedge foreign currency receivables, debts, loans or borrowings are revalued in the balance sheet as part of their foreign exchange component in order to embody the symmetry effect at the level of the "Unrealized foreign exchange – Gains/Losses" on the balance sheet;
- realized gains and losses are recorded symmetrically on the hedged item.

Financial income (expense)

Financial income is recognized by applying the usual rules, namely:

- dividends: on the date the distribution is approved by the General Shareholders' Meeting;
- financial income on current accounts, time deposits and bonds: as, and when, income is acquired;
- interest and dividends on marketable securities: on the date of receipt.

Financial expenses relating to the Eurobond 2021 and 2024 are presented, where applicable, inclusive of the interest income (expense) arising from the interest rate swaps.

It should, moreover, be noted that the swaps connected with the two aforementioned bonds are treated as hedges of loans in dollars recognized as assets.

Exceptional items

These include capital gains and losses on the sale of property, plant and equipment, and intangible and financial assets.

Note 3 Revenue

Billings are mainly composed of:

- rent received from the building at 133 avenue des Champs-Élysées in Paris, France;
- services invoiced to Group companies.

Note 4 Reversal of provisions and expense transfers

Expense transfers primarily include the re-invoicing of Group companies with respect to the awarding of Publicis Groupe free share grants to certain key Group executives as part of the co-investment programs (free share portion and stock options).

Note 5 Personnel expenses

2017 personnel expenses include the compensation of the Chairman of the Management Board and related expenses. They also include the costs related to 2017 free share plans and stock options amounting to euro 63,822,943, the delivery of which in existing shares does result in a charge to the income statement. In 2016, the costs associated with these plans amounted to euro 3,599,395.

Note 6 Financial income (expense)

(in thousands of euros)	2017	2016
Dividends	71,629	215,464
Other income from investments	111,703	112,053
Investment income	**183,332**	**327,517**
Other financial income	2,783	6,059
Foreign exchange gains	33	4,820
Interest and other financial income	**2,816**	**10,879**
Amortization of the Eurobond 2024 balancing payment	416	417
Reversal of provision for liabilities on treasury shares	1,530	2,854
Reversal of impairment for equity investments	-	19,003
Reversal of other financial provisions	35	19
Reversal of financial provisions & expense transfers	**1,981**	**22,293**
TOTAL FINANCIAL INCOME	**188,129**	**360,689**
Increase in provisions for liabilities on treasury shares	-	(1,530)
Bond-related amortization	(4,596)	(4,691)
Increases in provisions for foreign exchange losses	(12)	(35)
Increase in provisions for impairment of marketable securities	(4,671)	-
Amortization and increases in provisions	**(9,279)**	**(6,256)**
Bond-related expenses	(47,619)	(47,155)
Other financial expenses	(96,081)	(99,732)
Foreign exchange losses	-	(4,832)
Interest and other financial expenses	**(143,700)**	**(151,719)**
TOTAL FINANCIAL EXPENSES	**(152,979)**	**(157,975)**
FINANCIAL INCOME (EXPENSE)	**35,150**	**202,714**

Note 7 Exceptional items

There was no non-recurring income (expenses) in 2017. It amounted to euro 7,187 in 2016.

Note 8 Income taxes

The income statement shows a tax income amount of euro 48,522,440. This amount corresponds to the tax consolidation gain recognized as income in the financial statements of the tax group's parent company, in accordance with the tax consolidation agreements signed with the member companies, increased by the income associated with the 3% tax repayment on dividends paid in cash.

The Company, which is the parent company of the French tax group (comprising 27 subsidiaries), recorded a loss of euro 51,167,311 in 2017.

Tax loss carryforwards of the French tax group, which can be carried forward without any time limit, amount to euro 204,966,815 at December 31, 2017.

Note 9 Non-current assets

9.1 Intangible assets

There were no acquisitions or disposals during financial year 2017. The balance at December 31, 2017 stands at euro 3,498,498, the same as at December 31 of the previous financial year.

9.2 Property, plant and equipment

In the 2017 financial year, euro 1,447,212 were invested in fixtures.

In 2016, this figure amounted to euro 980,994.

9.3 Investments

There were no equity investment transactions during financial year 2017.

As a result of the merger by absorption of Media et Régies Europe by MMS France Holdings, both of which are subsidiaries of Publicis Groupe SA, the amount of shares held in MMS France Holdings increased by euro 25,507,720 in 2016, corresponding to the amount of the investment previously held in Media et Régies Europe.

The MMS France Holdings shares, the gross value of which stands at euro 274,801,396 at December 31, 2016, were subject to a reversal of provision for impairment in the amount of euro 19,003,000, taking the provision on securities to euro 98,115,000.

9.4 Loans and receivables owed by associates and non-consolidated companies

(in thousands of euros)	**December 31, 2017**	December 31, 2016
Loans to MMS USA Holdings	814,850	927,094
Loan to MMS Multi Market Services Ireland	1,342,717	1,527,673
Loan to MMS France Holdings	30,249	30,249
Loan to Publicis Groupe Investments BV	491,980	491,980
Multi Market Services Ireland current account	537	-
MMS France Holdings current account	31,976	349,947
Publicis Finance Services current account	-	461
Other receivables – Métrobus	-	8,075
Interest receivable	12,322	13,774
TOTAL	**2,724,631**	**3,349,253**

On November 2, 2016, a loan of euro 491,979,526 was granted to Publicis Groupe Investments BV. Its original expiry date was May 3, 2017 and it was renewed until May 3, 2018.

9.5 Other non-current securities

There were no acquisitions or disposals during financial year 2017.

Other non-current securities break down as follows at December 31, 2017:

	December 31, 2017	December 31, 2016
Number of treasury shares	23,328	23,328
Value of treasury shares (in thousands of euros)	1,093	1,093

Note 10 Marketable securities

Marketable securities broke down as follows at December 31, 2017:

(in thousands of euros)	December 31, 2017	December 31, 2016
Excluding liquidity contract:		
• Treasury shares	264,399	22,190
Held under the liquidity contract:		
• Money mutual funds	1,849	14,577
• Treasury shares	15,311	2,497
Provisions for impairment	(4,671)	-
TOTAL MARKETABLE SECURITIES (NET AMOUNT)	**276,888**	**39,264**

The movements for the financial year and position at the reporting date for available-for-sale securities (excluding the liquidity contract) are summarized in the table below:

(in thousands of euros, except for share data)	Number of shares	Gross carrying amount	Impairment	Net carrying amount
TREASURY SHARES HELD AS MARKETABLE SECURITIES (EXCLUDING LIQUIDITY CONTRACT) AT DECEMBER 31, 2016	**513,722**	**22,190**	**-**	**22,190**
Share purchases	5,000,000	324,439	-	324,439
Disposals (exercise of options) and delivery of free shares to employees	(1,470,130)	(82,231)	-	(82,231)
Provisions for impairment	-	-	(4,671)	(4,671)
TREASURY SHARES HELD AS AVAILABLE-FOR-SALE SECURITIES (EXCLUDING THE LIQUIDITY CONTRACT) AS AT DECEMBER 31, 2017.	**4,043,592**	**264,398**	**(4,671)**	**259,727**

As at December 31, 2017, a provision for impairment in the amount of euro 4,671,056 was recorded in order to adjust the value of the shares held, not allocated to plans, to their market value.

A share buyback program was concluded with an Investment Services Provider in March 2017, resulting in the purchase of 5,000,000 shares at an average price of euro 64.89 per share (including the tax on financial transactions).

In 2017, and excluding the period for implementing the program indicated above, the liquidity contract with Kepler Cheuvreux was maintained.

At December 31, 2017, 265,000 shares were held under this contract (compared to 40,553 at December 31, 2016).

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Note 11 Deferred expenses

This line item includes costs associated with the bond issue and the arrangement of the syndicated credit lines, for the portion still to be amortized over the remaining period to maturity of the bonds and to expiry of the credit lines.

Deferred expenses at December 31, 2017 were composed of:

(in thousands of euros)	December 31, 2017	December 31, 2016
Bond issuance costs	4,340	5,155
Costs of arranging credit lines and bank loans	3,693	5,530
TOTAL	**8,033**	**10,685**

Note 12 Bond issue and repayment premiums

The amounts on this line item represent the amounts still to be amortized over the remaining period to maturity of the bonds in question.

At December 31, 2017 the issue premiums break down as follows:

(in thousands of euros)	December 31, 2017	December 31, 2016
Eurobond 2021	2,419	3,011
Eurobond 2024	2,967	3,365
Eurobond 2023	5,703	6,657
TOTAL	**11,089**	**13,033**

Note 13 Unrealized foreign exchange losses

Unrealized foreign exchange losses break down as follows:

(in thousands of euros)	December 31, 2017	December 31, 2016	December 31, 2016*
Unrealized foreign exchange losses – hedging derivatives (see Note 21)	42,717	-	227,673
Unrealized foreign exchange losses – other	53	91	91
TOTAL	**42,770**	**91**	**227,764**

* *Pro forma information presented in accordance with ANC Regulation no. 2015-05 on forward financial instruments and hedging transactions.*

Note 14 Average headcount

The Company's average headcount was one employee and two persons seconded by other Publicis Groupe entities.

Note 15 Equity

The Publicis Groupe share capital has changed as follows over the past five financial years:

Dates	Capital transactions	Changes in capital – Shares with a par value of euro 0.4: Number of shares	Par value *(in thousands of euros)*	Additional paid-in capital *(in thousands of euros)*	Successive capital amounts *(in thousands of euros)*	Total number of Company shares
POSITION AT JANUARY 1, 2013					**84,003**	**210,008,734**
2013	Issue of shares as part of the free share plans for Group employees	292,076	116	-	84,119	210,300,810
	Issue of shares as settlement of the dividends based on 2012 earnings	1,361,502	545	70,117	84,664	211,662,312
	Orane redemption (9th tranche)	1,562,129	625	47,020	85,289	213,224,441
	Creation of shares as a result of the exercise of 2,757,571 equity warrants	2,798,937	1,120	82,987	86,409	216,023,378
2014	Creation of shares as a result of the exercise of 674,652 equity warrants	684,773	274	20,303	86,683	216,708,151
	Issue of shares as part of the free share plans for Group employees	815,623	326	-	87,009	217,523,774
	Issue of shares as settlement of the dividends based on 2013 earnings	2,094,672	838	118,119	87,847	219,618,446
	Orane redemption (10th tranche)	1,585,411	634	47,003	88,482	221,203,857
2015	Creation of shares as a result of the exercise of 517,819 warrants	517,819	207	15,353	88,689	221,721,676
	Issue of shares as settlement of the dividends based on 2014 earnings	163,082	65	11,347	88,754	221,884,758
	Issue of shares as part of the free share plans for Group employees	655,982	262	-	89,016	222,540,740
2016	Creation of new shares as a result of the exercise of 196,669 warrants	199,619	80	5,919	89,096	222,740,359
	Issue of shares as settlement of the dividends based on 2015 earnings	2,742,448	1,097	161,229	90,193	225,482,807
	Issue of shares as part of the free share plans for Group employees	462,580	185	-	90,378	225,945,387
2017	Creation of new shares as a result of the exercise of 302,135 warrants	306,665	123	9,092	90,501	226,252,052
	Issue of shares as settlement of the dividends based on 2016 earnings	3,992,216	1,597	242,487	92,098	230,244,268
	Issue of shares as part of the free share plans for Group employees	383,457	153	-	92,251	230,627,725
POSITION AT DECEMBER 31, 2017					**92,251**	**230,627,725**

Stockholder's equity changed as follows between January 1, 2017 and December 31, 2017:

(in thousands of euros)	January 1, 2017	Allocation of 2016 net income	Exercise of stock options and creation of shares	Distribution of dividends in shares	Distribution of dividends in cash	2017 income	December 31, 2017
Share capital	90,378	-	276	1,597	-	-	92,251
Additional paid-in capital	3,477,037	-	9,093	242,487	-	-	3,728,617
Statutory reserve	8,641	397	-	-	-	-	9,038
Earnings brought forward	392,599	219,975	(153)	(244,084)	(169,655)	-	198,682
SUBTOTAL	**3,968,655**	**220,372**	**9,216**	**-**	**(169,655)**	**-**	**4,028,588**
Net income for the year	220,372	(220,372)	-	-	-	82,349	82,349
TOTAL	**4,189,027**	**-**	**9,216**	**-**	**(169,655)**	**82,349**	**4,110,937**

Note 16 Provisions for liabilities and charges

(in thousands of euros)	Amount at January 1, 2017	2017 Increases	2017 Reversal (provision used)	2017 Reversal (provision unused)	Amount at December 31, 2017
Provisions for taxes(1)	6,647	-	-	-	6,647
Provision for conditional long-term commitments to employees(2)	6,404	-	-	(6,404)	-
Provision for risks on treasury shares and free share grants not yet vested(3)	29,832	49,784	(26,855)	(3,515)	49,246
Other provisions for risks	2,255	34	(237)	(35)	2,017
TOTAL	**45,138**	**49,818**	**(27,092)**	**(9,954)**	**57,910**

(1) Refers to the provision for tax on capital gains on the transfer of shares to Publicis USA Holdings in March 2000, in respect of which taxation is deferred in accordance with article 210-A of the French General Tax Code. It was partially reversed in 2008.

(2) Refers to the provision created (including expenses) for the non-compete agreement signed with Maurice Levy, then Chairman of the Management Board. This provision was fully reversed during the year, at the time of his replacement as Chairman of the Management Board and his appointment as Chairman of the Supervisory Board.

(3) This provision is made on the one hand to cover the loss resulting from the difference between the subscription price and the cost price of the treasury shares when they have been allocated to the share purchase plans for Group employees, and on the other hand to cover the future loss on existing shares under free share plans.

It should also be noted that provisions and provision reversals relating to costs borne by Publicis Groupe in relation to these plans are presented in the income statement under personnel expenses in accordance with Notice no. 2008-17 from the French National Accounting Council.

Note 17 Bonds

Number of securities *(in thousands of euros)*	Category of bond	December 31, 2017	December 31, 2016
7,000	Eurobond 2021 – 1.125%	700,000	700,000
6,000	Eurobond 2024 – 1.625%	600,000	600,000
5,000	Eurobond 2023 – 0.5%	500,000	500,000
	TOTAL EXCLUDING ACCRUED INTEREST	**1,800,000**	**1,800,000**
	Accrued interest	2,061	2,406
	BALANCE SHEET TOTAL	**1,802,061**	**1,802,406**

Eurobond 2021 – 1.125% and 2024 – 1.625%

This euro 1.3 billion loan issued on December 16, 2014 as part of the financing for the acquisition of Sapient, which took place in February 2015, comprises two tranches:

Eurobond 2021 – 1.125%: this euro 700 million tranche has a seven-year maturity and a fixed rate of 1.125%. It is fully redeemable at par upon maturity on December 16, 2021.

Eurobond 2024 – 1.625%: this euro 600 million tranche has a ten-year maturity and a fixed rate of 1.625%. It is fully redeemable at par upon maturity on December 16, 2024.

The two tranches were subject to the following cross currency interest rate swaps:

- the first tranche of euro 700 million was swapped for a fixed-rate loan of dollar 869 million (half at 2.921% and half at 2.918%);
- the second tranche of euro 600 million was initially swapped in 2014 for a variable-rate loan of dollar 741 million, and then converted into a fixed-rate loan on January 2, 2015 (half at 2.965% and half at 2.994%).

Eurobond 2023 – 0.5%

On November 3, 2016, Publicis Groupe SA issued a fixed-rate bond for euro 500,000 million, maturing in November 2023 (seven years), with a 0.5% annual coupon rate.

Note 18 Bank borrowings and overdrafts

In 2015, the Group refinanced its syndicated credit facility of dollar 1,890 million expiring in January 2016 and intended to finance the acquisition of Sapient, by taking a syndicated, variable-rate, medium-term loan in the amount of dollar 1,600 million, which was concluded on January 20, 2015 and matures in 2018, 2019 and 2020. This loan was then split on May 6, 2015 between two borrowers as follows:

- Publicis Groupe SA for euro 445,831,476;
- MMS Multi Market Services Ireland for dollar 1,100,000,000.

Since that time, the amount borrowed by Publicis Groupe SA has remained the same.

Note 19 Borrowings and other financial liabilities

(in thousands of euros)	December 31, 2017	December 31, 2016
Long-term borrowings from Publicis Finance Services(1)	814,850	927,094
Long-term borrowings from MMS Multi euro services(2)	930,000	930,000
Current accounts, short-term borrowings from subsidiaries and accrued interest(3)	417,240	398,822
Other creditors	524	524
TOTAL	**2,162,614**	**2,256,440**

(1) The $977,250,000 borrowed by Publicis Groupe from Publicis Finance Services with a due date of January 31, 2012, was rolled over for a period of ten years (new due date of January 31, 2022).

(2) The 55-year subordinated participating loans, for €300 million and €630 million, respectively, originally granted by Publicis Groupe Holdings in 2007 and Publicis Groupe Investments in 2012, were transferred by the latter to MMS Multi euro services on December 11, 2014.

(3) At December 31, 2017 this included a current account of €361,895,340 from MMS Multi euro services.

Note 20 Maturity schedule for receivables and liabilities

All receivables included in current assets are due to be settled within less than one year.

The maturity schedule for liabilities is presented below:

(in thousands of euros)	Total	Less than 1 year	1 to 5 years	More than 5 years
Bonds	1,802,061	2,061	700,000	1,100,000
Bank borrowings and overdraft	446,225	148,989	297,236	-
Borrowings and other financial liabilities	2,162,614	417,240	-	1,745,374
Trade payables	5,110	5,110	-	-
Income tax and social security liabilities	27,309	27,309	-	-
Deferred income	2,891	416	2,079	396
Other creditors	43,628	911	24,631	18,086
TOTAL LIABILITIES	**4,489,838**	**602,036**	**1,023,946**	**2,863,856**

Note 21 Other creditors

Pursuant to ANC regulation 2015-05 (see Note 2), the foreign exchange value of the derivatives covering the loans granted to MMS Multi Market Services Ireland (for principal amounts of dollar 869,050,000 and dollar 741,270,000, respectively) was recognized in other liabilities for euro 42,716,585 as at December 31, 2017. The counterparty to these derivatives is unrealized foreign exchange losses-hedging derivatives (see Note 13). At December 31, 2016, the impact would have been euro 227,672,896.

(in thousands of euros)	December 31, 2017	December 31, 2016	December 31, 2016*
Hedging derivatives	42,717	-	227,673
Other creditors	911	332	332
TOTAL	**43,628**	**332**	**228,005**

* *Pro forma information presented in accordance with ANC Regulation no. 2015-05 on forward financial instruments and hedging transactions.*

Note 22 Deferred income

At December 31, 2017 and at December 31, 2016, this line item was exclusively comprised of the payment received when arranging the hedging swaps. This payment is staggered over the term of the hedging.

Note 23 Unrealized foreign exchange gains

The unrealized foreign exchange gains stemmed from the remeasurement of the following two assets:

- euro 24,631,035 on the dollar 869,050,000 loan granted to MMS Multi Market Services Ireland (compared to euro 124,447,396 at December 31, 2016);
- euro 18,085,550 on the dollar 741,270,000 loan granted to MMS Multi Market Services Ireland (compared to euro 103,225,500 at December 31, 2016).

Note 24 Off-balance-sheet commitments

24.1 Off-balance sheet commitments given

24.1.1 Commitments related to bonds

EUROBOND 2021

When issued in December 2014, this new euro 700 million bond at a fixed rate of 1.125% was the subject of a cross-currency interest rate swap transforming it from euro fixed rate to dollar fixed rate. Two contracts, each for euro 350 million, were agreed for 2.921% and 2.918%, respectively.

EUROBOND 2024

When issued in December 2014, this new euro 600 million bond at a fixed rate of 1.625% was the subject of a cross-currency interest rate swap transforming it from euro fixed rate to dollar variable rate. Two contracts, each for euro 300 million, were originally concluded in December 2014, then converted on January 2, 2015 into fixed rates of 2.965% and 2.994%, respectively.

24.1.2 Obligations related to warrants

The exercise of warrants, which can occur at any time from September 24, 2013 to September 24, 2022, will lead to an increase in the Publicis Groupe's capital stock. The conversion ratio was adjusted by a factor of 1.015 so as to reflect those distributions drawn from the Company's reserves and premiums. Following the cancellation of the warrants bought back during the previous financial years or exercised since September 24, 2013, Publicis Groupe is, at December 31, 2017, committed to creating (in the event that the outstanding 1,161,509 warrants are exercised) 1,178,932 shares with a par value of euro 0.40 and a euro 30.10 premium.

24.1.3 Description of the stock option and free share plans implemented during the financial year

Two types of free share plans were created during 2017, with the following features:

- Long-Term Incentive Plan "LTIP 2017" (May 2017)

  Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions. Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares delivered will depend on the overall growth and profitability targets attained in 2017. The shares, awarded in May 2017, will vest in May 2020;
- Long-Term Incentive Plan "Sapient 2017 Plan" (June 2017)

  In accordance with the agreements entered into during the acquisition of Sapient, and as a transitional measure for financial years 2015 to 2017, at the same time as LTIP 2017, which concerns only Group employees to the exclusion of Publicis.Sapient employees, two specific plans were introduced in respect of 2017 to the exclusive benefit of Publicis. Sapient directors and employees. The first plan is conditional only upon continued employment and gives rise to the delivery of one-quarter of the shares awarded on the dates of the first four anniversaries of the plan (*i.e.* in June 2017, 2018, 2019 and 2020). In addition to the condition of continued employment, the second plan is conditional upon performance criteria, such that the total number of shares delivered shall depend on the level of targets attained in respect of 2017, 2018 and 2019. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, *i.e.* in June 2020.

In addition, the performance of the following plans was assessed in 2017:

- LTIP 2016: the performance targets set for 2016 were 50% achieved;
- Sapient 2015 and 2016 Plans: the targets set for 2016 were not achieved;
- Lionlead3 2016-2018 Plan: the targets set for 2016 were 75% achieved.

SHARE SUBSCRIPTION OR PURCHASE OPTION PLANS ORIGINATED BY PUBLICIS GROUPE

Characteristics of the Publicis Groupe stock option plans as at December 31, 2017

Plans	Type(1)	Date of grant	Exercise price of the options *(in euros)*	Options outstanding on January 1, 2017 (or if later: the grant date)	Options canceled, lapsed or transferred(2) in 2017	Options exercised in 2017	Options outstanding at December 31, 2017	Of which can be exercised on December 31, 2017	Expiry deadline	Remaining contract life *(in years)*
23rd tranche LTIP 2006-2008	On	08/24/2007	31.31	111,419	(29,980)	(81,439)	-	-	08/24/2017	-
Co-investment 2013 France – options	On	04/30/2013	52.76	323,371	-	(39,358)	284,013	284,013	04/30/2023	5.33
Co-investment 2013 Outside France – options	On	04/30/2013	52.76	1,790,362	(48,823)	(638,015)	1,103,524	1,103,524	04/30/2023	5.33
TOTAL OF ALL TRANCHES				**2,225,152**	**(78,803)**	**(758,812)**	**1,387,537**	**1,387,537**		

(1) A = stock options; S = share subscription options.
(2) These relate to any transfers between French and foreign plans due to the geographic mobility of beneficiaries.

The vesting period for the above plans has been completed, but the exercise of options remains subject to a continued presence condition until the date of exercise of the options.

Movements in publicis groupe stock option plans over the last two financial years

	2017		2016	
	Number of options	Average exercise price *(in euros)*	Number of options	Average exercise price *(in euros)*
Options at January 1	**2,225,152**	**51.69**	**5,372,943**	**50.72**
Options granted during the financial year	-		-	
Options exercised(1)	(758,812)	50.46	(404,760)	33.75
Cancelled or lapsed options	(78,803)	44.60	(2,743,031)	52.43
Options outstanding at December 31	**1,387,537**	**52.76**	**2,225,152**	**51.69**
Of which exercisable	1,387,537	52.76	434,790	47.26
(1) Average share price on exercise (in euros)		*61.88*		*62.10*

FREE SHARE PLANS ORIGINATED BY PUBLICIS GROUPE

Characteristics of Publicis Groupe free share plans outstanding at December 31, 2017

Plans	Date of initial grant	Grants as of January 1, 2017 (or if later: date of grant)	Shares canceled, lapsed or transferred(1) in 2017	Shares vesting in 2017(2)	Shares yet to vest at December 31, 2017	Vesting date of shares(3)	Remaining contract life *(in years)*
50 free shares plan 2013 – 26 countries	02/01/2013	116,400	(2,125)	(114,275)	-	02/01/2017	-
LTIP Plan 2013 – Outside France	04/16/2013	252,990	(34,796)	(218,194)	-	04/16/2017	-
LTIP Plan 2013-2015 (Directoire Outside France)	06/17/2013	18,632	-	(18,632)	-	06/17/2017	-
Co-investment Plan 2013 Outside France – Shares	04/30/2013	504,118	1,365	(505,483)	-	04/30/2017	-
LTIP Plan 2014 – France	03/20/2014	34,781	(2,300)	(32,481)	-	03/20/2017	-
LTIP Plan 2014 – Outside France	03/20/2014	229,325	(16,467)	-	212,858	03/20/2018	0.22
LTIP Plan 2015 – France	04/17/2015	36,182	(900)	-	35,282	04/17/2018	0.29
LTIP Plan 2015 – Outside France	04/17/2015	247,201	(18,638)	-	228,563	04/17/2019	1.29
Sapient 2015 Plan (4-year)	04/17/2015	277,452	(48,459)	(116,043)	112,950	2016 to 2019	1.29
Sapient 2015 Plan (3-year)	04/17/2015	42,665	(30,774)	(5,628)	6,263	04/17/2018	0.29
LTIP Plan 2016	06/23/2016	745,600	(428,100)	-	317,500	06/23/2019	1.48
LTIP Plan 2016-2018 Directoire and "Directoire +"	06/23/2016	120,000	-	-	120,000	06/23/2019	1.48
2016 LionLead3 Plan – France	06/16/2016	509,652	40,822	-	550,474	06/16/2019	1.46
2016 LionLead3 Plan – International	06/16/2016	3,239,379	(429,177)	-	2,810,202	06/16/2020	2.46
2016 LionLead3 Plan – Directoire and "Directoire +"	06/16/2016	833,976	(173,745)	-	660,231	06/23/2019	1.48
Sapient 2016 Plan (4-year)	04/15/2016	381,342	(53,301)	(101,259)	226,782	2017 to 2020	2.29
Sapient 2016 Plan (3-year)	04/15/2016	61,262	(43,954)	(9,328)	7,980	04/15/2019	1.29
LTIP 2017 Plan	05/18/2017	678,450	(11,550)	-	666,900	05/18/2020	2.38
Sapient 2017 Plan (4-year)	06/15/2017	240,048	(12,138)	-	227,910	2018 to 2021	3.46
Sapient 2017 Plan (3-year)	06/15/2017	287,952	(25,602)	-	262,350	06/15/2020	2.46
TOTAL OF FREE SHARE PLANS		**8,857,407**	**(1,289,839)**	**(1,121,323)**	**6,446,245**		

(1) These relate to any transfers between French and foreign plans due to the geographic mobility of beneficiaries.
(2) In exceptional cases, as described in the plan regulations, shares may be delivered prior to the end of the vesting period.
(3) Plans allocated prior to 2016: French beneficiaries must observe an additional two-year lock-in period after vesting.

The award of the free shares under the above plans is conditional on continued employment throughout the vesting period. Awards are also subject to non-market performance conditions for the LTIP 2012 to 2017 plans, for the 2013 Co-investment Plan available only to members of the Management Board, for the Sapient 2015 to 2017 Plans, for which the vesting period is three years, and lastly for the Lionlead3 Plan (also subject to a market objective).

Movements in Publicis Groupe free share plans over the last two financial years

	2017	2016
PROVISIONAL SHARE GRANTS AT JANUARY 1	**7,650,957**	**3,019,291**
Provisional grants during the year	1,206,450	6,101,239
Grants vesting (deliveries)	(1,121,323)	(299,238)
Grants lapsed	(1,289,839)	(1,170,335)
PROVISIONAL GRANTS AT DECEMBER 31	**6,446,245**	**7,650,957**

24.1.4 Contractual guarantees given

- Guarantee until 2020 on behalf of ZenithOptimedia Ltd (UK) to the owner of the premises at 24 Percy Street, London, for a maximum of pound sterling 12,976,814 in respect of rental payments and a maximum amount of pound sterling 1,020,348 in respect of rental charges related to the building.
- Joint and several guarantee of the debts of Publicis Groupe Holdings, Publicis Holdings and Publicis Groupe Investments.
- Guarantee given to SNCF Réseau (formerly RFF) for advertising space provided to Média Rail, for euro 46,059,330.
- Counter-guarantee given to CACIB for the first demand guarantee given by the latter on behalf of Metrobus to RATP in the amount of our share (67%), or euro 46,900,000.
- Autonomous first demand guarantee given to BNP Paribas in the amount of dollar 555,000,000 until February 4, 2020 in favor of MMS Multi Market Services Ireland.
- Guarantee given to OPG Bastille on behalf of Resources France and MMS France Holdings for euro 100,000,000 for the Bastille "Parisquare" building.

Commitments given as part of the hedging of foreign currency loans granted to certain subsidiaries:

Forward **Amount in currency** *(in thousands of units)*	**USD 644**	**USD 1,387**	**USD 14**	**USD 432**	**USD 446**	**USD 949**
Type of contract	seller's hedge	seller's hedge	seller's hedge	seller's hedge	seller's hedge	seller's hedge
Currency	USD/EUR	USD/EUR	USD/EUR	USD/EUR	USD/EUR	USD/EUR
Maturity date	01/03/2018	01/22/2018	01/31/2018	01/31/2018	01/31/2018	12/17/2018
Forward rate	1.197820	1.189878	1.169710	1.187778	1.200044	1.226529
Equivalent (in thousands of euros)	538	1,166	12	363	372	773
Market value at December 31, 2017 (in thousands of euros)	537	1,157	12	360	372	791

Cross-currency swaps **Amount in currency** *(in thousands of units)*	**USD 435,190**	**USD 433,860**	**USD 370,710**	**USD 370,560**
Type of contract	buyer's hedge	buyer's hedge	buyer's hedge	buyer's hedge
Currency	USD/EUR	USD/EUR	USD/EUR	USD/EUR
Maturity date	12/16/2021	12/16/2021	12/16/2024	12/16/2024
Forward rate	1.2434	1.2396	1.2357	1.2352
Equivalent (in thousands of euros)	350,000	350,000	300,000	300,000
Market value at December 31, 2017 (in thousands of euros)	369,152	369,152	331,561	331,561

24.2 Off-balance sheet commitments received

- Multi-currency syndicated credit lines for euro 2 billion maturing in July 2020: this line was not used at December 31, 2017.
- Confirmed bilateral credit lines for euro 678 million: these lines were not used at December 31, 2017.

Note 25 Events after the close

None

Note 26 Fees paid to the statutory auditors

The fees paid by the Group for each of the statutory auditors of Publicis Groupe for the 2017 and 2016 financial years were:

	Ernst & Young		Mazars		Total	
	Amount (w/o tax)		Amount (w/o tax)		Amount (w/o tax)	
(in millions of euros)	**2017**	2016	**2017**	2016	**2017**	2016
Statutory auditor						
Publicis Groupe SA (parent company)	0.9	0.9	0.4	0.4	1.3	1.3
Account certification	0.8	0.7	0.4	0.4	1.2	1.1
Other services	0.1	0.2	0	0	0.1	0.2

Note 27 Statement of subsidiaries and investments at December 31, 2017

(Figures in thousands of euros except for equity which is stated in local currency.)

A) Subsidiaries and other investments whose carrying amount exceeds 1% of Publicis Groupe's share capital[1]

Companies	Share capital	Reserves and earnings brought forward	% interest	Gross carrying amount	Net carrying amount	Loans and receivables	Revenue	Net income	Dividends received
1- Subsidiaries									
Publicis Groupe Investments B.V.	68,709	10,349,830	100.00	5,344,146	5,344,146	492,671	-	22,455	-
Prof. W.H. Keesomlaan 12 1183 DJ Amstelveen Netherlands									
MMS France Holdings	3,500	(22,422)	100.00	274,801	176,686	63,830	78	36,755	-
133, avenue des Champs-Élysées 75008 Paris France SIREN 444 714 786									
Metrobus	1,840	2,994	32.30	17,508	17,508	-	162,097	6,709	1,175
1 Rond-Point Victor Hugo 92137 Issy-les-Moulineaux SIREN 327 096 426									

(1) Based on preliminary non-audited financial statements.

B) General information with regard to all subsidiaries and investments

	Subsidiaries		Investments	
	French	Foreign	French	Foreign
Carrying amount of shares held				
• gross	292,535	5,345,362	2	-
• net	194,420	5,345,362	2	-
Amount of dividends received	71,629	-	-	-

Detail of marketable securities at December 31, 2017

	% interest	Net carrying amount *(in thousands of euros)*
I – Investments		
A. Investments in French companies		
11,665,471 shares in MMS France Holdings	100.00%	176,686
37,146 shares in Metrobus	32.30%	17,508
9,100 shares in Publicis Finance Services	100.00%	186
3,700 shares in Publicis Groupe Services	100.00%	37
Investments with a carrying amount less than euro 15,000 aggregate		3
TOTAL FRENCH INVESTMENTS		**194,420**
B. Investments in foreign companies		
151,343 shares in Publicis Groupe Investments	100.00%	5,344,146
MMS Communications Saudi Arabia (under creation)	99.00%	1,216
Investments with a carrying amount less than euro 15,000 aggregate		-
TOTAL FOREIGN INVESTMENT		**5,345,362**
TOTAL INVESTMENTS		**5,539,782**
II – Other non-current securities		
C. French securities		
23,328 Publicis Groupe SA treasury shares	0.01%	1,093
TOTAL OTHER NON-CURRENT SECURITIES		**1,093**
III – Other securities		
D. Other securities of French companies		
4,308,592 Publicis Groupe SA treasury shares[(1)]	1.87%	275,039
Money mutual funds		1,849
Investments with a carrying amount less than euro 15,000 aggregate		5
E. Other foreign securities		14
TOTAL OTHER SECURITIES		**276,907**
TOTAL SECURITIES		**5,817,782**

(1) shares held under share buyback programs, including the liquidity contract.

6.5 RESULTS OF PUBLICIS GROUPE SA OVER THE PAST FIVE YEARS

Information type	**2017**	**2016**	**2015**	**2014**	**2013**
Share capital at year-end					
Share capital *(in thousands of euros)*	90,251	90,378	89,016	88,482	86,409
Number of shares in issue	230,627,725	225,945,387	222,540,740	221,203,857	216,023,378
Maximum number of future shares to be issued:					
• as a result of free shares and warrants awarded	5,602,010	8,937,201	8,092,893	8,865,073	9,041,944
• as a result of the exercise of warrants	1,178,932	1,485,599	1,685,218	2,203,033	2,887,805
• as a result of the conversion of bonds(1)	0	0	0	12,684,488	14,954,875
Operations and results for the year					
Pre-tax revenue	11,604	26,722	9,608	52,838	18,751
Profit (loss), before tax, depreciation, amortization and provisions	37,376	190,577	(209,565)	(14,347)	574,606
Income tax	48,522	17,299	49,113	31,980	26,997
Net income after taxes, depreciation, amortization and provisions	82,349	220,372	(154,752)	(3,007)	551,959
Income distributed for the period(2)	461,255	417,999	355,575	251,212	229,505
Earnings per share *(in euros)*					
Net income after taxes, but before depreciation, amortization and provisions	0.37	0.92	(0.72)	0.08	2.78
Net income after taxes, depreciation, amortization and provisions	0.36	0.98	(0.70)	(0.01)	2.56
Dividend per share	2.00(3)	1.85	1.60	1.20	1.10
Employees					
Average headcount	2	1	1	38	2
Payroll expense	4,175	3,968	2,895	11,680	4,847
Benefits (social security, other employee benefits, etc.)	795	795	634	4,466	1,429

(1) It was assumed that new shares would be issued to redeem the Oranes.
(2) Estimate on the basis of existing shares at December 31, 2017, including treasury shares.
(3) Subject to the approval of the General Shareholders' Meeting to be held on May 30, 2018. Payment will be made in cash or shares.

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6.6 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended December 31, 2017

To the Annual General Meeting of Publicis Groupe SA,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Publicis Groupe SA for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

We draw attention to the matter described in Note 2 to the financial statements relating to the change in accounting policy with the first-time adoption of ANC 2015-05 Regulation on forward financial instruments and hedging operations. Our opinion is not modified in respect of this matter.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of Investments and Loans and receivables owed by associates and non-consolidated companies

(Notes 2 "Investments", 9.3, 9.4 and 27 of the Notes to the financial statements)

Risk identified	As of December 31, 2017, Investments are accounted for at a net book value of 5,540 million euros, or 64% of the total assets. They are accounted for at the acquisition price of the securities excluding ancillary expenses. The Loans and receivables owed by associates and non-consolidated companies amount to 2,725 million euros, or 31% of the total assets. We believe that the valuation of Investments and Loans and receivables owed by associates and non-consolidated companies constitutes a key audit matter, given their materiality in the assets of Publicis Groupe SA, and because the valuation of their recoverable amount, often based on projected discounted future cash flows, involves judgments from management, and the use of numerous economic assumptions related to the Company's growth forecasts.
Our response	• We assessed the process used to value the recoverable amount of the Company's Investments and Loans and receivables owed by associates and non-consolidated companies as well as the valuations carried out by the Company, and supported by an independent expert; we ensured that the assumptions and estimates used in the reporting were based on an appropriate assessment of the valuation method, and of the figures retained. • We involved our valuation experts in order to assess the consistency of the assumptions used with the economic environment at closing and on the date the financial statements were prepared. • We have also compared the figures used for the impairment tests on Investments with the entities' source data, as well as the result of our audit work or analytical procedures on these entities. We have examined: — the compliance of shareholders' equity with the financial statements of the entities subject to audit or analytical procedures, and the evidence related to adjustments made, when applicable, on such shareholders' equity; — the consistency of projected future cash flows for the relevant entities' activities, as prepared by their operational management, with the companies' growth forecasts taken from the latest strategic plans; — the adjustments made to the present value of projected future cash flows to account for the indebtedness of the relevant entities. • We have assessed the recoverability of Loans and receivables owed by associates and non-consolidated companies in the light of the analyses performed on Investments. • We have assessed the appropriateness of the information related to Investments and Loans and receivables owed by associates and non-consolidated companies, as set out in the Notes to the financial statements.

Verification of the Management Report and of the Other Documents Provided to the shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board, and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de Commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights and the cross-shareholdings has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of Statutory Auditors

We were appointed as statutory auditors of Publicis Groupe by your Annual General Meetings held on June 25, 1981 for Mazars and on June 4, 2007 for Ernst & Young et Autres.

As at December 31, 2017, Mazars and Ernst & Young et Autres were in the 37th year and 11th year of total uninterrupted engagement respectively (Ernst & Young Audit having served as statutory auditor of Publicis Groupe previously, from 2001 to 2006).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Courbevoie, April 16, 2018

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres		MAZARS	
Vincent de La Bachelerie	**Valérie Desclève**	**Philippe Castagnac**	**Ariane Mignon**

CHAPTER

7

Company information and capital structure

7.1 INFORMATION ABOUT THE COMPANY

7.1.1 Company name and trade name

Publicis Groupe SA (the "Company") does business under the trade name Publicis.

7.1.2 Registration place and number

542 080 601 RCS Paris; APE Code – NAF 7010Z; LEI number: 2138004KW8BV57III342

7.1.3 Date of incorporation and term

Incorporation date: October 4, 1938.

Term: October 3, 2037, unless extended.

7.1.4 Registered office, legal structure, applicable legislation, jurisdiction, address and telephone number of registered office

Publicis Groupe SA is a French joint-stock limited liability company (*société anonyme*) with a Management Board and a Supervisory Board, governed by articles L. 225-57 to L. 225-93 of the French Commercial Code.

The Company's registered office is located at 133, avenue des Champs-Élysées, 75008 Paris, France. The telephone number of the Company's registered office is +33 (0) 1 44 43 70 00.

7.1.5 Deeds of incorporation and bylaws

Corporate purpose (article 2 of the Company bylaws)

The Company's corporate purposes are to:

- produce and derive added value in any manner from advertising and publicity in any format or of any type;
- organize shows and radio or television broadcasts, set up radio, television and other programming, use movie theaters, recording or broadcasting studios and projection and viewing rooms, publish paper documents and edit music, sketches, scripts and theater productions;
- and more generally, all commercial, financial, industrial and real and intangible property transactions of any type relating directly or indirectly to the above in order to foster the development and growth of the Company's business.

The Company may conduct operations in any country on its behalf or on behalf of third parties, either alone or jointly, with other companies or persons and carry out in any form, directly or indirectly, activities in line with its corporate purpose.

The Company may also acquire interests in any form in any other French or foreign businesses or companies, whatever their corporate purposes.

Management Board (articles 10 to 12 of the Company bylaws)

The Management Board oversees Publicis' management. It is fully empowered to act on the Company's behalf in all circumstances. These powers may only be exercised within the limit of the corporate purpose and subject to the powers that are by law reserved for the Supervisory Board and Shareholders' Meetings. The Management Board is appointed by the Supervisory Board and must have at least two but no more than seven members. Each member is appointed for a period of four years and must be a natural person, but need not be a shareholder. Its members may be re-appointed. The terms of office of each Management Board member ends at the Annual Ordinary General Shareholders' Meeting following their 75th birthday. The Supervisory Board appoints one of the members of the Management Board as Chairperson and may appoint one, several or all the other members of the Management Board as Chief Executive Officers.

The members of the Management Board may be dismissed either by the Supervisory Board or by a General Shareholders' Meeting.

Supervisory Board (articles 13 to 17 of the bylaws)

The Supervisory Board has the responsibility of exercising ongoing supervisory authority over the Management Board. It has at least 3 and at most 18 members, who may be reappointed, and who are appointed by the General Shareholders' Meeting for a period of four years in accordance with the decision of the Extraordinary General Shareholders' Meeting of May 29, 2013 which reduced this term of office from six to four years. By way of exception, the terms of office of Supervisory Board members who were in the process of serving six year terms as of that Shareholders' Meeting will continue up to their original expiry date. Moreover, solely in order to institute and maintain the staggering of terms of members of the Supervisory Board, the Ordinary General Shareholders' Meeting may appoint or renew one or more members of the Supervisory Board for one, two or three years, in accordance with the decision of the Extraordinary General Shareholders' Meeting of May 25, 2016.

Members over 75 years of age may not constitute more than one-third of the Supervisory Board, which may be rounded up. Should this limit be exceeded, the oldest member of the Supervisory Board will automatically resign. The potential crossing of this threshold shall be determined at the date of the Supervisory Board's Meeting to approve the financial statements for the past year. Each member of the Supervisory Board must own at least five hundred Company shares during the course of his or her term.

The members of the Supervisory Board may be dismissed only by the General Shareholders' Meeting.

The Supervisory Board shall also comprise, depending on the situation, one or two members representing the employees in pursuance of Article L. 225-79-2 of the French Commercial Code. When the number of Supervisory Board members, calculated as stipulated in Article 225-79-2 II of the French Commercial Code:

- is less than or equal to twelve, the Group Works Council shall appoint one single member to represent the employees;
- is greater than twelve, and subject to this criterion continuing to be met at the date of appointment, the Group Works Council shall appoint a second member to represent the employees;
- becomes less than or equal to twelve, the two members representing the employees shall continue their terms of office until expiry.

The term of office of an employee representative shall end upon expiry of a four-year period. The office of employee representative is renewable. Tenure may be terminated by anticipation under the conditions set forth by law and in the bylaws, in particular in the event of termination of said representative's employment contract. Should the conditions stipulated in Article L. 225-79-2 of the French Commercial Code cease to be fulfilled, the term of office of the employee representative(s) shall end after the meeting during which the Supervisory Board notes that it is no longer within the scope of this obligation. By way of an exception to the obligation on each member of the Supervisory Board, employee representatives are not required to hold a minimum number of shares during their term of office.

Rights attached to each share (article 8 of the bylaws)

Each share confers the right proportionate to such share to a part of the corporate assets and benefits. The shareholders may be held liable, even with regards to third party, only up to the value of the shares that they hold. Each time that it is necessary to hold several shares to exercise any right, shareholders must be personally responsible for gathering the number of shares required.

Powers of the Management Board with respect to share buybacks (article 7 IV of the Company bylaws)

The Extraordinary General Shareholders' Meeting may authorize the Management Board to purchase a specified number of Company shares in order to cancel them by way of a capital reduction in accordance with article L. 225-206 of the French Commercial Code.

In addition, the Company may acquire its own shares in accordance with the provisions of articles L. 225-208 and L. 225-209 of the French Commercial Code, specifically those intended to regulate the stock market price of the Company shares.

General Shareholders' Meetings (article 19 of the Company bylaws)

General Shareholders' Meetings are open to all shareholders regardless of the number of shares held. The procedures for providing notice of meetings and holding meetings are prescribed by French law. Meetings take place at the Company's headquarters or at any other location specified in the above-mentioned notice and set by the notifier. If so decided by the Management Board when calling the meeting, the meeting may be publicly broadcast by videoconferencing or any other means of telecommunication, including over the Internet.

Representation and admission to General Shareholders' Meetings (article 20 of the Company bylaws)

Any shareholder may participate, personally or through an authorized representative, in Shareholders' Meetings, justifying his/her identity and his/her ownership of the securities, under the conditions provided for by the law.

Any shareholder may, if so permitted by the Management Board when calling the General Shareholders' Meeting, participate in the meeting by videoconferencing or any other means of telecommunication including over the Internet, subject to applicable laws and regulations. Any such shareholder is deemed present for the purposes of calculating the quorum and majority.

Voting rights (article 21 paragraphs 5 to 8 of the Company bylaws)

Each member of the Meeting shall have as many votes as he owns or represents shares, without restriction. However, in accordance with a resolution approved at the Extraordinary General Shareholders' Meeting on September 14, 1968, shares registered with the same shareholder for at least two years or which have only been transferred during that period from one registered owner to another within the framework of an intestate estate, of testamentary succession, of division of community of property between spouses, of donation *inter vivos* for the benefit of a spouse or a relative entitled to inherit, are entitled to double voting rights. The Extraordinary General Shareholders' Meeting has the possibility to purely and simply cancel the double voting right. However this cancellation will only become effective after the approval of a special meeting of shareholders who hold double voting right shares.

In the event of the division of ownership of Company shares, the limited owners and bare owners of shares can freely distribute voting rights at Extraordinary or Ordinary General Shareholders' Meetings provided they notify the Company beforehand, by providing a certified copy of their agreement at least 20 calendar days before the first General Shareholders' Meeting is held following the above-mentioned ownership division by registered mail. Failing notification within this period, the distribution will be implemented *ipso jure* in accordance with article L. 225-110, paragraph 1, of the French Commercial Code.

Any shareholder may vote by post in accordance with and in the manner provided for in prevailing laws and regulations. When so decided by the Management Board, and indicated in the meeting notice published in the BALO (*Bulletin des annonces légales obligatoires*), shareholders may vote by any means of telecommunication including over the Internet, subject to the laws and regulations prevailing as of the moment of its use.

Amendments to the bylaws (article 23 of the Company bylaws)

An Extraordinary General Shareholders' Meeting may make any change to any provision of the bylaws that is permissible under the law. Such changes to the share capital include, but are not limited to: increasing or reducing the share capital, consolidating shares or splitting shares into shares with a lower par value.

Declarations of share ownership (articles 7 III and 6 paragraph 6 of the bylaws)

Any natural or legal person, acting individually or jointly, who owns or acquires, by any means as described in article L. 233-7 of the French Commercial Code, any fraction equivalent to or greater than 1% of the share capital or voting rights, or any multiple thereof, including above the declaration thresholds set out in the legal and regulatory provisions, must notify the Company of the total number of shares or voting rights held as well as securities convertible to equity and the voting rights potentially associated by registered mail with return receipt sent to the registered office within five trading days of crossing any of these thresholds. These declaration obligations also apply each time that the fraction of the shares or voting rights held falls below one of the thresholds specified above.

Shareholders who fail to comply with this requirement may be deprived of voting rights with respect to any shares exceeding the relevant threshold until the required disclosure is made, a period provided for by current legislation. Unless one of the thresholds provided for in the above-mentioned article L. 233-7 is breached, this sanction will only be applied subsequent to a request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders holding at least 1% of the Company's share capital or voting rights.

Moreover, the Company is entitled to request that a legal entity holding shares representing more than 2.5% of share capital or voting rights disclose the identity of the persons holding, directly or indirectly, more than one third of the share capital or voting rights at the General Shareholders' Meeting of that entity.

Liquidation rights (article 32 of the bylaws)

At the end of the Company's term of incorporation, or in the event of early dissolution, the assets of the dissolved Company shall be allocated first to the payment of the debts and social security expenses, then to the reimbursement of the remaining obligation. The remaining proceed of the liquidation shall be allocated equally among all the shares.

7.2 OWNERSHIP STRUCTURE

7.2.1 Major shareholders and voting rights

At December 31, 2017, to the best of Publicis' knowledge, no person held, directly or indirectly, individually or jointly, 5% or more of its shares (a "Major Shareholder") except those disclosed below. Publicis' bylaws state that all its shareholders have the same proportional voting rights with respect to the shares they hold, except that shares owned by the same shareholder in registered form for at least two years carry double voting rights. The Company has not issued any preferred shares or any securities without voting rights.

Distribution of the company's share capital and voting rights

At December 31, 2017	Shares held	% of capital(1)	Voting rights	% of voting rights(2)
A/Shareholder holding more than 5% of the capital				
Élisabeth Badinter(3)	16,700,967	7.24%	33,401,934	13.26%
Harris Associates L.P.(4)	16,995,711	7.37%	16,995,711	6.75%
B/ Treasury shares	4,331,920	1.88%	-	-
C/ Public (registered and bearer shares)	192,599,127	83.51%	201,524,895	79.99%
TOTAL	**230,627,725**	**100.00%**	**251,922,540**	**100.00%**

(1) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.
(2) Percentages are calculated based on the total number of shares issued by the Company (percentage of voting rights that can be exercised at the General Shareholders' Meeting), excluding treasury shares with no voting rights, and counting the double voting rights attached to some shares.
(3) Élisabeth Badinter fully owned 2.53% of shares (4.63% of voting rights) and had the right to receive income with respect of 4.71% of shares with her children having bare ownership of the underlying shares (8.63% of voting rights).
(4) Acting as an investment adviser for managed funds and clients.

Reminder of the distribution of the Company's share capital and voting rights for the prior two years

At December 31, 2016	Shares held	% of capital(1)	Voting rights	% of voting rights(2)
A/Shareholder holding more than 5% of the capital				
Élisabeth Badinter(3)	16,700,967	7.39%	33,401,934	13.34%
B/ Treasury shares	577,603	0.26%	-	-
C/ Public (registered and bearer shares)	208,666,817	92.35%	217,080,229	86.66%
TOTAL	**225,945,387**	**100.00%**	**250,482,163**	**100.00%**

(1) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.
(2) Percentages are calculated based on the total number of shares issued by the Company (percentage of voting rights that can be exercised at the General Shareholders' Meeting), excluding treasury shares with no voting rights, and counting the double voting rights attached to some shares.
(3) Élisabeth Badinter fully owned 2.58% of shares (4.66% of voting rights) and had the right to receive income with respect of 4.81% of shares with her children having bare ownership of the underlying shares (8.68% of voting rights).

At December 31, 2015	Shares held	% of capital(1)	Voting rights	% of voting rights(2)
A/Shareholders holding more than 5% of the capital				
Élisabeth Badinter(3)	16,700,967	7.50%	33,401,934	13.55%
The Capital Group Companies, Inc.(4)	11,226,876	5.05%	11,226,876	4.55%
B/ Treasury shares	1,216,839	0.55%	-	-
C/ Public (registered and bearer shares)	193,396,058	86.90%	201,873,023	81.90%
TOTAL	**222,540,740**	**100.00%**	**246,501,833**	**100.00%**

(1) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.
(2) Percentages are calculated based on the total number of shares issued by the Company (percentage of voting rights that can be exercised at the General Shareholders' Meeting), excluding treasury shares with no voting rights, and counting the double voting rights attached to some shares.
(3) Élisabeth Badinter fully owned 2.62% of shares (4.73% of voting rights) and had the right to receive income with respect of 4.88% of shares with her children having bare ownership of the underlying shares (8.82% of voting rights).
(4) Acting as an investment adviser for managed funds. It aggregates the positions held by Capital Research and Management Company and Capital Group International Inc.

The Company and the AMF were notified, in accordance with article L. 233-7 of the French Commercial Code, that legal thresholds had been crossed in the following cases:

- Société BlackRock, Inc. acting as an investment adviser for clients and managed funds, which made its declaration by letter received on:
  - June 13, 2017, that it had exceeded the threshold of 5% of the Company's share capital on June 12,
  - June 14, 2017, that it had crossed under the threshold of 5% of the Company's share capital on June 13,
  - July 13, 2017, that it had exceeded the threshold of 5% of the Company's share capital on July 12,
  - July 14, 2017, that it had crossed under the threshold of 5% of the Company's share capital on July 13,
  - September 1, 2017, that it had exceeded the threshold of 5% of the Company's share capital on August 31,
  - September 6, 2017, that it had crossed under the threshold of 5% of the Company's share capital on September 5,
  - September 7, 2017, that it had exceeded the threshold of 5% of the Company's share capital on September 6,
  - October 3, 2017, that it had crossed under the threshold of 5% of the Company's share capital on October 2,
  - October 5, 2017, that it had exceeded the threshold of 5% of the Company's share capital on October 3, and had then crossed under the threshold on October 4,
  - October 18, 2017, that it had exceeded the threshold of 5% of the Company's share capital on October 17,
  - October 19, 2017, that it had crossed under the threshold of 5% of the Company's share capital on October 18,
  - October 25, 2017, that it had exceeded the threshold of 5% of the Company's share capital on October 24,
  - December 1, 2017, that it had crossed under the threshold of 5% of the Company's share capital on November 30.
- Société Harris Associates L.P. acting as an investment adviser for clients and managed funds, which made its declaration by letter received on:
  - May 17, 2017, that it had exceeded the threshold of 5% of the Company's share capital on May 12,
  - August 8, 2017, that it had exceeded the threshold of 5% of the Company's voting rights on August 1.

The percentage of share capital held by individual shareholders, according to the most recent exhaustive survey of the approximate number of identifiable bearer shares (*titres au porteur identifiables*) and information on registered shares managed by CACEIS Corporate Trust, was 3.7%.

7.2.2 Control of the Company

At December 31, 2017, to the best of its knowledge, the Company was not controlled and was not subject to any agreement or commitment linking one or several shareholders, company, foreign government or other natural or legal person operating individually or conjointly with regard to the direct or indirect holding of its capital or under its control, and there existed no agreement of which the fulfillment could cause a change in the Company's control at a later date.

7.2.3 Agreements concerning a possible change of control or that might influence a takeover bid

The information required by article L. 225-37-5 of the French Commercial Code can be found in this Registration Document as follows: the capital structure is described in Sections 2.2.6, 7.2 and 7.3, the existence of double voting rights provided for in the Company's bylaws (article 21) is mentioned in Section 7.1.5, rules applicable to the appointment and replacement of members of the Management Board, as well as the amendment of the Company's bylaws, are specified in the Company's bylaws (articles 10 to 12 and 23) and summarized in the aforementioned Section 7.1.5, the existence of authorizations and delegations granted by the Company's General Shareholders' Meeting to the Management Board regarding share issuance and buyback is mentioned in Sections 7.3.1 and 7.3.3.

It is also specified that, to the best of the Company's knowledge, no agreements exist requiring payment of indemnities, in the event of a takeover bid, to the members of the Management Board or employees if their employment should end as a result of this takeover bid.

Certain loan agreements include change in control clauses.

7.3 SHARE CAPITAL

7.3.1 Subscribed capital and classes of share

Composition of share capital

On July 27, 2017, Publicis Groupe SA paid out the full amount of the dividend voted by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 31, 2017, with each shareholder having the option between cash and shares, which resulted in a capital increase of euro 1,596,886.40 through the creation of 3,992,216 new shares with a par value of euro 0.40.

During 2017, 383,457 new shares at a par value of euro 0.40 per share were created as a result of free share plans (in particular under the LTIP 2014 and LTIP Management Board 2013-2015 for beneficiaries in France and the international free share plan 2013 and LTIP 2013 International), representing a total capital increase of euro 153,382.80.

306,665 new shares with a par value of euro 0.40 were also created as a result of warrant exercises, representing a total capital increase of euro 122,666.

As of December 31, 2017, the share capital totaled euro 92,251,090, divided into 230,627,725 fully paid-up shares with a par value of euro 0.40, of which 25,626,735 shares carried double voting rights.

Table of delegations of authority and authorizations granted to the Management Board

Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2017
Share purchases and reduction of share capital				
Authorizations to reduce share capital through the cancellation of treasury shares	May 27, 2015 (17th resolution)	26 months Maturity: 07/27/2017 Expired by the GM of 5/31/2017 (24th resolution)	No more than 10% of capital per 24 month period	None
Authorization to trade in the Company's shares*	May 25, 2016 (18th resolution)	18 months Maturity: 11/25/2017 Expired by the GM of 05/31/2017 (23rd resolution)	No more than 10% of capital Overall maximum: €2,002,866,660 Maximum share purchase price: €90	Liquidity contract: purchase of 424,642 shares (average purchase price €63.44) and disposal of 276,695 shares (average sale price €63.78) Buyback program: purchase of 3,474,451 shares (average purchase price €64.21) Sale of 417,837 shares to stock option recipients. Delivery of 689,067 free shares
Authorization to trade in the Company's shares*	May 31, 2017 (23rd resolution)	18 months Maturity: 11/31/2018	No more than 10% of capital Overall maximum: €2,033,508,483 Maximum share purchase price: €90	Liquidity contract: purchase of 635,379 shares (average purchase price €60.51) and disposal of 558,879 shares (average sale price €62.63) Buyback program: purchase of 1,525,549 shares (average purchase price €66.43) Sale of 314,127 shares to stock option recipients. Delivery of 49,099 free shares
Authorizations to reduce share capital through the cancellation of treasury shares	May 31, 2017 (24th resolution)	26 months Maturity: 07/31/2019	No more than 10% of capital per 24 month period	None

Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2017
Equity issues				
Authorization to increase the capital without preferential subscription rights with the option to set the issue price*	May 27, 2015 (18th resolution)	26 months Maturity: 07/27/2017 Expired by the GM of 05/31/2017 (25th resolution)	Within the limits set by the 19th, 20th and 21st resolutions of the Extraordinary Shareholders' Meeting of May 25, 2016(1)(2)	None
Delegation to issue shares or other securities as consideration for contributions in-kind granted to the Company*	May 27, 2015 (19th resolution)	26 months Maturity: 07/27/2017 Expired by the GM of 05/31/2017 (26th resolution)	No more than 10% of capital(1)(2)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity with preferential subscription rights*	May 25, 2016 (19th resolution)	26 months Expiration: 07/25/2018	Maximum par value: €30,000,000(1) Maximum par value of debt securities: €1,200,000,000(3)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity without preferential subscription rights through a public offering*	May 25, 2016 (20th resolution)	26 months Expiration: 07/25/2018	Maximum par value: €9,000,000(1)(2) Maximum par value of debt securities: €1,200,000,000(3)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity without preferential subscription rights through an offer made pursuant to paragraph II of article L. 411-2 of the French Monetary and Financial Code (by private placement)*	May 25, 2016 (21st resolution)	26 months Expiration: 07/25/2018	No more than 20% of capital per year Maximum par value: €9,000,000(1)(2) Maximum par value of debt securities: €1,200,000,000(3)	None
Delegation to increase the number of securities issued in the event of an increase in the Company's capital, with or without preferential subscription rights*	May 25, 2016 (22nd resolution)	26 months Expiration: 07/25/2018	No more than 15%(1)(2) of the initial issue and at the same price as this issue. Subject to compliance with the ceiling set forth under the corresponding resolution	None
Delegation to increase capital by incorporating reserves, earnings, premiums or other sums*	May 25, 2016 (23rd resolution)	26 months Expiration: 07/25/2018	Maximum par value: €30,000,000(1)	None
Delegation to issue shares or other securities in the event of a public offering initiated by the Company*	May 25, 2016 (24th resolution)	26 months Expiration: 07/25/2018	Maximum par value: €9,000,000(1)(2) Maximum par value of debt securities: €1,200,000,000(3)	None
Authorization to increase the capital without preferential subscription rights with the option to set the issue price under the 20th and 21st resolutions of the GSM of May 25, 2016*	May 31, 2017 (25th resolution)	26 months Maturity: 07/31/2019	No more than 10% of capital per year(1)(2)	None
Delegation to issue shares or other securities as consideration for contributions in-kind granted to the Company*	May 31, 2017 (26th resolution)	26 months Maturity: 07/31/2019	No more than 10% of capital(1)(2)(3)	None

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Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2017
Issues reserved for Company or Group employees and managers				
Authorization to grant free shares to employees and/or corporate officers of the Company or companies within the Group	May 28, 2014 (19th resolution)	38 months Maturity: 07/28/2017	No more than 5% of capital(4) Maximum of 0.5% of capital for executive corporate officer(5)(6)	None
Authorization to grant free shares to employees and/or corporate officers of the Company or companies within the Group	May 25, 2016 (25th resolution)	38 months Expiration: 07/25/2019	No more than 3% of capital(7) Maximum of 0.3% of capital for executive corporate officers(8)(9)	Total award of 678,450 free shares
Authorization to grant stock options to employees and/or corporate officers	May 25, 2016 (26th resolution)	38 months Expiration: 07/25/2019	No more than 3% of capital(8) Maximum of 0.3% of capital for executive corporate officers(8)(9)	None
Delegation to increase capital for the benefit of subscribers to a company savings plan	May 25, 2016 (27th resolution)	26 months Expiration: 07/25/2018 Expired by the GM of 05/31/2017 (27th resolution)	Maximum par value: €2,800,000(1)(10)	None
Delegation to increase capital for the benefit of certain categories of recipients located outside France in order to establish a shareholder or savings plan for them	May 25, 2016 (28th resolution)	18 months Maturity: 11/25/2017 Expired by the GM of 05/31/2017 (28th resolution)	Maximum par value: €2,800,000(1)(11)	None
Delegation to increase capital for the benefit of subscribers to a company savings plan	May 31, 2017 (27th resolution)	26 months Expiration: 07/31/2019	Maximum par value: €2,800,000(1)(12)	None
Delegation to increase capital for the benefit of certain categories of recipients located outside France in order to establish a shareholder or savings plan for them	May 31, 2017 (28th resolution)	18 months Maturity: 11/31/2018	Maximum par value: €2,800,000(1)(13)	None

(1) This amount counts toward the euro 30,000,000 maximum for all capital increases set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 19th resolution.
(2) This amount counts towards the euro 9,000,000 maximum par value of capital increases without preferential subscription rights set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 20th or 21st resolutions depending on whether it involves a public offering or an offer made pursuant to paragraph II of article L. 411-2 of the French Monetary and Financial Code (private placement).
(3) This amount applies to all debt securities that the Management Board is authorized to issue under the resolutions of the Extraordinary Shareholders' Meeting of May 25, 2016.
(4) This maximum counts toward the 3% maximum set forth by the Extraordinary Shareholders' Meeting of May 29, 2013 in its 15th resolution (share purchase and/or subscription options).
(5) This maximum counts toward the 5% maximum set forth under this resolution.
(6) This maximum counts toward the 0.5% maximum set forth by the Extraordinary Shareholders' Meeting of May 29, 2013 in its 15th resolution (share purchase and/or subscription options).
(7) This maximum counts toward the 3% maximum set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 26th resolution (share purchase and/or subscription options).
(8) This maximum counts toward the 3% maximum set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 25th resolution (free shares).
(9) This maximum counts toward the 3% maximum set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 26th resolution (share purchase and/or subscription options).
(10) This amount counts toward the total capital increase possible under the 28th resolution of the Extraordinary Shareholders' Meeting of May 25, 2016.
(11) This amount counts toward the total capital increase possible under the 27th resolution of the Extraordinary Shareholders' Meeting of May 25, 2016.
(12) This amount counts toward the total capital increase possible under the 28th resolution of the Extraordinary Shareholders' Meeting of May 31, 2017.
(13) This amount counts toward the total capital increase possible under the 27th resolution of the Extraordinary Shareholders' Meeting of May 31, 2017.
** Unless there is prior authorization by the General Shareholders' Meeting, the Management Board cannot use this authorization or delegation from the moment a third party has filed a public offer for Company shares, up to the end of the offer period.*

7.3.2 Existence of non-representative shares, their amount and main features

All shares are representative of the Company's share capital.

7.3.3 Number, carrying amount and par value of shares held by the issuer itself or on its behalf, or by its subsidiaries

Treasury shares

The Combined Ordinary and Extraordinary General Shareholders' Meeting of May 31, 2017, in its 23rd resolution, authorized the Management Board to carry out, or to have carried out, purchases in order to fulfill the following objectives:

(1) to grant or transfer shares to employees and/or management of the Company and/or of the Group in accordance with terms and conditions provided for by applicable law;

(2) to deliver shares in order to honor commitments related to securities convertible to equity through redemption, conversion, exchanges, presentation of a warrant, or in any manner for the awarding of the Company's common stock;

(3) to hold and subsequently deliver shares for exchange in a merger, spin-off or asset contribution, for payment, or other, in external growth operations;

(4) to stimulate the secondary market or liquidity of Publicis Groupe SA's shares through an investment services provider who acts independently and without being influenced by the Company, in the name and on the behalf of the Company, in accordance with a liquidity contract, which complies with the Code of Ethics recognized by the French Regulatory Authority (*Autorité des marchés financiers*, or AMF) or any other applicable regulations;

(5) to cancel all, or some, of the shares acquired, under the conditions permitted by law;

(6) to carry out any transaction permitted now or in the future by the regulations in force, including any market practice that might be permitted by the market authorities.

This repurchase program would also permit the Company to trade in its own shares with any other authorized purpose or which would become so by the law or regulations in force. In such a case, the Company would inform its shareholders through a press release.

The Company may, directly or indirectly, through an intermediary or a service provider, purchase, sell or transfer its shares as often as it wishes, at any time and by all means authorized now or in the future by the regulations in force, on regulated markets, multilateral trading systems, with systematic internalizers or over the counter, including by purchasing or selling of blocks of shares (without limiting any part of the buyback program that may be conducted by this means), sale with option to repurchase, by public offering to purchase or exchange, by use of options mechanisms or by use of any derivative financial instrument, or by use of warrants or, more generally, securities convertible into the Company's equity. The Company may also hold the shares purchased and/or cancel them subject to authorization by an Extraordinary General Shareholders' Meeting and in compliance with the applicable regulations.

However, unless there is prior authorization by the General Shareholders' Meeting, the Management Board cannot use this authorization once a third party has filed a public bid for Company shares, until the end of the offer period.

The maximum number of shares that may be repurchased cannot exceed 10% of the number of shares in the share capital, at any time, this percentage applying to the capital adjusted to reflect transactions affecting it following the meeting having voted in favor of the authorization which is subject to an overall maximum of two billion, thirty-three million, five hundred and eight thousand, four hundred eighty-three euros (euro 2,033,508,483).

The maximum share purchase price was set at euro 90 (excluding fees); this limit does not apply, however, to shares purchased to cover the free allocations of shares to employees or the exercise of stock options and, also, the fact that the Company cannot purchase shares at a higher price than the highest of these two values: the last listed price resulting from a transaction in which the Company has had no involvement or the independent bid in progress.

This authorization for a period of 18 months expired, for the unused portion and the remaining time period, and replaced that previously granted by the 16th resolution of the General Shareholders' Meeting on May 25, 2016.

The description of the share buyback program was made available on the Publicis Groupe website.

Summary table of purchases under various buyback programs since 2013

	Amount	Average purchase price *(in euro)*
Period from 01/01/2013 to 12/31/2013	4,770,687	48.93
Period from 01/01/2014 to 12/31/2014	1,251,497	58.73
Period from 01/01/2015 to 12/31/2015	7,732,424	72.45
Period from 01/01/2016 to 12/31/2016	1,539,706	61.41
Period from 01/01/2017 to 12/31/2017	**6,060,021**	**64.33**

In 2017 the Company sold 731,964 Publicis Groupe SA shares to the recipients of stock options who exercised their purchase options during the year and delivered 738,166 existing shares under the bonus stock plan.

On March 14, 2017, the Company purchased 5,000,000 Publicis Groupe SA shares through an investment services provider for a total of euro 324,438,753, an average price of euro 64.89 (euro 64.69 excluding the tax on financial transactions).

In addition, under the liquidity contract signed with Kepler Cheuvreux, the Company acquired 1,060,021 shares in 2017 at an average price of euro 61.68, and sold 835,574 shares at an average price of euro 63.02.

The trading fees and other expenses incurred by the Company during 2017 for transactions performed pursuant to the share buyback program authorized by the 18th resolution of the General Shareholders' Meeting on May 25, 2016, and then by the 23rd resolution of the General Shareholders' Meeting on May 31, 2017, amounted to euro 70,000.

At December 31, 2017, Publicis Groupe SA owned 4,331,920 shares (1.88%) of its own capital, at a total cost of euro 280,802,944 and an average price per share of euro 64.82.

7.3.4 Total amount of convertible or exchangeable securities and equity warrants, including the specified terms and conditions for conversion, exchange or subscription

The allocation of share capital at December 31, 2017, on the basis of full dilution resulting from financial instruments issued by the Company, is the following:

At December 31, 2017	Shares held	%	Voting rights	%
Élisabeth Badinter	16,700,967	7.03%	33,401,934	12.80%
Harris Associates L.P.	16,995,711	7.16%	16,995,711	6.51%
Treasury shares held	4,331,920	1.82%	-	-
Public (registered and bearer shares)	192,599,127	81.13%	201,524,895	77.24%
Stock options outstanding(1)	-	-	1,387,537	0.53%
Free shares still to be delivered(2)	5,602,010	2.36%	6,446,245	2.47%
Stock warrants outstanding(3)	1,178,932	0.50%	1,178,932	0.45%
TOTAL	**237,408,667**	**100.00%**	**260,935,254**	**100.00%**

(1) Shares to be delivered on the occasion of the exercise of 1,387,537 extant options at December 31, 2017 are existing shares, already in the portfolio. All options awarded can be exercised in-the-money as of the reporting date.

(2) Out of the 6,446,245 shares to be delivered under current plans, 844,235 are deliverable in existing shares and the remainder (5,602,010) in new shares (some can opt for existing shares).

(3) In-the-money instruments at December 31, 2017. A factor of 1.05 is applicable to these instruments for share subscription.

A shareholder, holding 1% of Publicis Groupe SA's share capital at December 31, 2017, would hold 0.97% of Publicis Groupe SA's share capital on that date, in the event of the exercise or conversion of rights attached to equity securities convertible to equity (stock warrants, free shares awarded but not yet delivered).

The terms of conversion of equity warrants are described in Note 24 to the consolidated financial statements in Section 5.6 of this document.

7.3.5 Pledges, guarantees and sureties

There is no indirect self-control of the Company. At December 31, 2017, 30,000 registered shares managed by the Company, and 80,140 registered shares administered by others, were pledged, representing a total of 110,140 pledged shares.

No major asset held by Group companies was subject to a pledge.

7.3.6 Employee shareholding

Employees' interests in the share capital through the Company savings plans, and according to the definition of article L. 225-102 of the French Commercial Code at December 31, 2017 were not significant.

It should be noted that the Publicis Groupe FCPE (mutual fund) held 366,262 Publicis Groupe shares at December 31, 2017. As a result, Publicis Groupe employees owned 0.15% of the share capital *via* the FCPE at that date.

At December 31, 2017, the total number of options outstanding for all beneficiaries was 1,387,537, all immediately exercisable.

The Group has extended its program of Long Term Incentive Plans with the "LTIP 2017" and the "Sapient 2017 Stock Incentive Plan".

The "LTIP 2017" plan awarded 678,450 shares of bonus stock to a number of Group senior executives in June 2017, under two conditions. Firstly, employment must continue throughout the three-year vesting period. Furthermore, the shares are subject to performance criteria, so that the total number of shares received will depend on the growth and profitability objectives attained in 2017.

To facilitate the integration of Sapient and its subsidiaries into the Publicis Groupe, the Management Board created a specific long-term incentive plan with the "Sapient 2017 Stock Incentive Plan". The share compensation plan is based on two variable duration formulas with specific presence and, where appropriate, performance criteria. In June 2017, this plan awarded 528,000 free shares to a certain number of Sapient managers. The first formula stipulated an annual delivery of one-quarter of the free shares awarded spread over a four-year period. For the second formula, the delivery of all the free shares takes place after a three-year period.

At December 31, 2017, the total number of free shares yet to vest to Group employees on condition of employment, and performance, in some cases, amounted to 6,446,245.

All the details concerning the free share plans (description, changes for the year, and closing balance) are shown in Note 28 to the consolidated financial statements in Section 5.6 of this document.

7.3.7 Share capital transactions

Changes regarding the share capital in the last three years are shown below:

Dates	Share capital transactions	Number of shares	Par value *(in euro)*	Share capital *(in euro)*
12/31/2014	**CAPITAL AT DECEMBER 31, 2014**	**221,203,857**	**0.40**	**88,481,543**
01/31/2015 02/28/2015 03/31/2015 04/30/2015 05/31/2015 06/30/2015 07/31/2015 09/30/2015	Capital increases (exercise of equity warrants)	517,819	0.40	207,127
04/17/2015 04/19/2015 09/01/2015 12/01/2015	Capital increases (delivery of free shares)	655,982	0.40	262,393
07/02/2015	Capital increase (dividend payment in shares)	163,082	0.40	65,233
12/31/2015	**CAPITAL AT DECEMBER 31, 2015**	**222,540,740**	**0.40**	**89,016,296**
02/29/2016 04/30/2016 05/31/2016 07/31/2016 08/31/2016 12/31/2016	Capital increases (exercise of equity warrants)	199,619	0.40	79,848
02/01/2016 04/01/2016 04/18/2016 05/03/2016 06/01/2016 06/16/2016	Capital increases (delivery of free shares)	462,580	0.40	185,032
07/04/2016	Capital increase (dividend payment in shares)	2,742,448	0.40	1,096,979
12/31/2016	**CAPITAL AT DECEMBER 31, 2016**	**225,945,387**	**0.40**	**90,378,155**
02/01/2017 04/30/2017 05/31/2017 06/30/2017 08/31/2017 12/29/2017	Capital increases (exercise of equity warrants)	306,665	0.40	122,666
02/01/2017 03/20/2017 04/18/2017 06/19/2017	Capital increases (delivery of free shares)	383,457	0.40	153,383
06/27/2017	Capital increase (dividend payment in shares)	3,992,216	0.40	1,596,886
12/31/2017	**CAPITAL AT DECEMBER 31, 2017**	**230,627,725**	**0.40**	**92,251,090**

7.4 STOCK MARKET INFORMATION

7.4.1 The trading of Publicis Groupe shares

Against the backdrop of a highly charged political agenda in Europe, 2017 was marked by the very clear return of investors' appetite for risk. Historically low levels of volatility in 2017 reflected confidence in the economic recovery which was becoming increasingly palpable throughout the world. This was borne out by a general rise in equity markets, particularly US indices which have leapt from one record to another. The Dow Jones was up 25.1% over the year, rising above 24,000 for the first time in its history in December, buoyed by Donald Trump's tax reform. The Nasdaq technology index did the best. Boosted by the sharp growth in GAFA (Google, Apple, Facebook, Amazon), it was up 28.2%, approaching 7,000. Despite lagging behind early in the year, Japanese equities were the biggest surprise: the Japanese market hit record highs not seen for twenty-five years with the return to form of Japanese and Wall Street companies. The Nikkei was up 19.1%. In contrast, hopes that European equities would play catch-up were dashed with the Euro Stoxx 50 only rising by 6.5%. This delay was partly due to the significantly lower percentage of technology stocks in Europe. Foreign exchange rate movements were also surprising with a lacklustre performance from the dollar, the consensus being that the dollar would have fared better as a result of ongoing rate rises by the US Federal Reserve, started in 2015. Mario Draghi's proposals, made at the end of June in Sintra, in Portugal, then perceived as signaling the next slowdown in ECB asset purchasing, the gradual phasing-out of the program finally being announced in October, saw the euro peak at dollar 1.21 in August, a level that it nearly reached again in December when it closed at almost dollar 1.20. The US greenback was down 9.8% in 2017 against a basket of benchmark currencies, its sharpest fall since 2003.

2017 was a particularly challenging year for advertising agencies which were the worst performers in the whole of the media industry. Their difficulty in crystallizing the favorable economic climate was evidence, for investors, of increasing structural issues. Publicis did, however, outperform WPP by around 10% due to higher organic growth, WPP having been impacted by the savings plan announced by two of its largest clients, Ford and Unilever, as well as by the effect of the loss of two of their top ten clients, VW and AT&T. US comparables also suffered. Omnicom was down by the same percentages as Publicis, despite the weakening dollar, a supportive factor for US agencies, and quite decent organic growth (3-4%) due to lower exposure to the non-food consumer products sector (< 20% of revenue). Interpublic withstood the downturn in the industry slightly better but its shares were significantly more volatile around the publication of disappointing quarterly results. The main reason for these underperformances was the drop in valuation multiples rather than forecasts. The sentiment around the largest sector, the Fast-Moving Consumer Goods sector (FMCG), and the threat of clients internalizing media buying had a major impact.

7.4.2 Investor relations

Publicis Groupe's financial communication is based on the principle of providing precise, transparent, and sincere information on the Group's situation to all financial markets within the framework of the current texts, standards and procedures in France: the Financial Security Law, the IFRS (International Financial Reporting Standards) and others. The Publicis Groupe Investor Relations Department maintains a close, ongoing dialogue with both brokerage company and investment fund analysts. Publicis Groupe's financial communications with institutional investors is reflected in the organization of meetings in the world's major financial markets, and by the participation of Group representatives at investor conferences.

In 2017, the Publicis Groupe met with over 1,200 institutional investors in Europe, the United Kingdom and the United States, (versus around 900 in 2016) at roadshows and industry investor conferences in Europe and the United States.

7.4.3 Securities market

The following information regarding the shares and financial instruments comes from the Euronext and Bloomberg websites.

Publicis Groupe shares

- Listed on: Euronext Paris (ISIN code: FR0000130577)
- First day listed: June 9, 1970
- Shares traded on Euronext Paris: all shares in the share capital

On December 27, 2007, Publicis Groupe SA was informed that Publicis Groupe SA shares were now no longer listed on the New York Stock Exchange. This delisting followed the Company's notification on September 17, 2007 to the US market authorities that it no longer wanted Publicis Groupe SA shares listed on the New York Stock Exchange (listed in the form of American Depositary Receipts; ratio: one ADR for every one Publicis share), with average annual trading volumes rarely exceeding 1% of all shares in the share capital.

By default, the share can be traded on the New York Stock Exchange OTCQX market as an American Depositary Receipt, ratio: four ADRs for one Publicis share (ticker: PUBGY). The OTCQX platform is an information tool that provides access to US investors, while guaranteeing price transparency.

Changes in the trading price on Euronext Paris during 2017:

- high: euro 69.00 on May 30;
- low: euro 52.04 on November 16;
- average price: euro 6.88 (based on closing prices).

Trading volume and Company share price over the last 18 months on Euronext Paris

			Average volumes traded per session[1]		Monthly price *(in euro)*			
Period		**Number of trading sessions**	**Number of securities**	**Share capital** *(in thousands of euros)*	**First listing**	**Last listing**	**Highest**	**Lowest**
2016	October	21	633,772	40,579	67.20	62.50	67.96	60.87
	November	22	705,725	42,611	62.67	61.23	62.70	58.39
	December	21	569,669	35,936	61.01	65.55	65.91	59.96
2017	January	22	575,935	37,603	65.61	63.56	67.49	63.56
	February	20	928,383	58,100	63.79	63.63	64.63	59.27
	March	23	711,307	44,673	63.99	65.51	65.51	61.34
	April	18	666,758	43,478	65.55	66.27	67.23	63.01
	May	22	750,244	49,829	66.48	68.15	69.00	64.66
	June	22	603,743	40,355	68.33	65.31	68.90	64.79
	July	21	806,766	52,172	65.74	63.91	67.00	62.08
	August	23	635,791	38,541	64.25	56.70	64.25	56.57
	September	21	673,963	38,565	56.75	59.09	59.12	55.33
	October	22	926,006	54,063	59.20	55.96	62.82	54.30
	November	22	678,088	36,991	56.00	55.80	56.43	52.04
	December	19	559,248	31,769	55.93	56.65	58.50	54.93
2018	January	22	720,342	40,555	56.60	55.68	58.68	53.42
	February	20	996,329	58,907	55.68	62.04	63.18	52.88
	March	21	801,542	46,094	60.90	56.58	61.00	54.52

(1) Volumes traded on Euronext (excluding alternative platforms).

Publicis Groupe warrants (*bons de souscription d'actions*)

- Listed on: Euronext Paris (ISIN code: FR0000312928)
- First day listed: September 24, 2002
- Changes in the trading price on Euronext Paris in 2017:
  - high: euro 39.350 on June 20,
  - low: euro 22.715 on November 16,
  - average price: euro 32.535 (based on closing prices);

As at December 31, 2017, 1,463,644 warrants, exercisable until 2022, were outstanding.

Euro 1.3 billion Eurobond issued in two tranches on December 9, 2014 with maturity in 2021 and 2024

- Listed on: Euronext Paris
- First day listed: December 11, 2014
- Changes in the trading price on Euronext Paris in 2017:
  - euro 700 million tranche maturing on December 16, 2021, with an annual coupon of 1.125% (ISIN code: FR0012384634):
    - high: euro 103.872 on August 29,
    - low: euro 102.290 on March 17,
    - average price: euro 103.201 (based on closing prices);
  - euro 600 million tranche maturing on December 16, 2024, with an annual coupon of 1.625% (ISIN code: FR0012384667):
    - high: euro 106.192 on November 8,
    - low: euro 102.816 on March 14,
    - average price: euro 104.829 (based on closing prices).

Euro 500 million Eurobond issued on October 28, 2016 with maturity in 2023

- Listed on: Euronext Paris
- First day listed: November 3, 2016
- Changes in the trading price on Euronext Paris in 2017:
  - high: euro 99.775 on November 8,
  - low: euro 96.333 on March 14,
  - average price: euro 98.271 (based on closing prices).

CHAPTER

8
General Shareholders' Meeting

The Combined Annual Ordinary and Extraordinary General Shareholders' Meeting will take place on May 30, 2018 at Publicis cinémas, 133, avenue des Champs-Élysées, Paris 8, France.

Prior to this meeting, the legal documents and information will be communicated to shareholders, in accordance with the applicable laws, and notably by electronic consultation on the Publicis website.

CHAPTER

9
Additional information

9.1 DOCUMENTS ON DISPLAY

During the validity of this document, the Company's bylaws, minutes of the General Shareholders' Meetings, as well as reports of the Management Board and the statutory auditors, and all other documents addressed or available to shareholders as required by law are available at the registered office of Publicis Groupe SA, 133, avenue des Champs-Élysées, 75008 Paris.

The Company bylaws are also available on the Publicis Groupe's website (www.publicisgroupe.com).

The parent company's financial statements and the consolidated financial statements of Publicis Groupe SA for the financial years ended December 31, 2016 and December 31, 2017 are available at the registered office of the Company according to the laws and regulations in effect. They are also available on the Publicis Groupe website (www.publicisgroupe.com and www.publicisgroupe.com/ir) and on the website of the French Regulatory Authority (www.amf-france.org).

Furthermore, historical financial information for any direct or indirect subsidiary of the Company for the years ended December 31, 2015 and December 31, 2016 is available at the registered office of such subsidiary, as required by relevant laws and regulations.

9.2 REGISTRATION DOCUMENT RESPONSIBILITY AND DECLARATION

9.2.1 Responsibility for the Registration Document

Arthur Sadoun, Chairman of the Management Board of Publicis Groupe SA ("the Company").

9.2.2 Declaration of the person responsible for the Registration Document

I confirm, having exercised due diligence in this regard, that, to the best of my knowledge, the information in this Registration Document is true and contains no material omission.

I also confirm that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Company's assets, financial position and profit, as well as those of its consolidated subsidiaries, and that the management report, the various components of which are indicated in the cross-referencing table in Section 9.6, provides a fair view of the progress of the business, results and financial position of the Company and all its consolidated subsidiaries, and a description of the main risks and uncertainties that they face.

I have obtained from the statutory auditors an end-of-engagement letter (*lettre de fin de travaux*), in which they state that they have verified the financial position and financial statements in this Registration Document, and have reviewed this Registration Document.

Paris, April 19, 2018

Arthur Sadoun,

Chairman & CEO

9.3 STATUTORY AUDITORS

9.3.1 Principal statutory auditors

Ernst & Young et Autres

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Company of statutory auditors of Versailles)

Represented by Vincent de La Bachelerie and Valérie Desclève

1/2, Place des Saisons, 92400 Courbevoie – Paris La Défense 1

Appointed at the General Shareholders' Meeting of June 4, 2007; appointment renewed at the General Shareholders' Meeting of May 29, 2013, for a term of six years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Ernst & Young et Autres replaced Ernst & Young Audit, a company belonging to the same network, which had been appointed Statutory Auditor by the General Shareholders' Meeting of June 14, 2001.

Mazars

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Company of statutory auditors of Versailles)

Company represented by Philippe Castagnac and Ariane Mignon

61, rue Henri-Regnault, Tour Exaltis, 92400 Courbevoie

Appointed at the General Shareholders' Meeting of June 25, 1981; appointment renewed most recently at the General Shareholders' Meeting of May 31, 2017, for a term of six years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

9.3.2 Alternate statutory auditors

Auditex

1/2, place des Saisons, 92400 Courbevoie – Paris La Défense 1

Appointed at the General Shareholders' Meeting of June 4, 2007; appointment renewed at the General Shareholders' Meeting of May 29, 2013, for a term of six years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Gilles Rainaut

61, rue Henri-Regnault, Tour Exaltis, 92400 Courbevoie

Appointed at the General Shareholders' Meeting on June 1, 2010, and whose term was renewed by the General Shareholders' Meeting of May 25, 2016 for a term of six years, expiring at the General Shareholders' Meeting that will be called to approve the financial statements for the year ending December 31, 2021.

9.4 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

See Appendix 1 of European Regulation no. 809/2004

		Page no.	Section no.
1.	**Persons responsible**		
	1.1. Identity	*265*	9.2.1
	1.2. Declaration	*265*	9.2.2
2.	**Statutory auditors**		
	2.1. Identity	*266*	9.3
	2.2. Any changes	-	N/A
3.	**Selected financial information**		
	3.1. Historical financial information	*18*	1.1
	3.2. Intermediate financial information	-	N/A
4.	**Risk factors**	*36 to 45*	1.8
5.	**Information on the issuer**		
	5.1. History and development of the Company	*19 to 22; 244*	1.2; 7.1.1 to 7.1.4
	5.2. Investments	*30 to 32*	1.5
6.	**Business overview**		
	6.1. Main activities	*24 to 27*	1.4.1 to 1.4.3
	6.2. Main markets	*27 to 28; 200 to 201*	1.4.5; 1.4.6 and 4.6 (Note 27)
	6.3. Exceptional events	*N/A*	N/A
	6.4. Dependence of the issuer	*27 and 36 to 45*	1.4.5 and 1.8
	6.5. Competitive position	*29*	1.4.8
7.	**Organization chart**		
	7.1. Description of the Group	*23*	1.3.1
	7.2. List of main subsidiaries	*23*	1.3.2
8.	**Property, plants and equipment**		
	8.1. Main property, plant and equipment	*27*	1.4.4
	8.2. Environmental questions	*131 to 134*	3.5
9.	**Analysis of the financial situation and result**		
	9.1. Financial position	*147 to 149*	4.4
	9.2. Operating income (expense)	*142 to 146*	4.1 to 4.3
10.	**Cash flow and capital**		
	10.1. Capital resources	*148*	4.4.2
	10.2. Cash flow	*147*	4.4.1
	10.3. Borrowing conditions and financing structure	*149*	4.4.3
	10.4. Restrictions on use of capital	*149*	4.4.4
	10.5. Anticipated financing sources	*149*	4.4.5
11.	**Research and development, patents and licenses**	*34 and 35*	1.7
12.	**Outlook**	*153*	4.7
13.	**Forecasts or estimates of earnings**		N/A
14.	**Management, supervisory bodies and executive management**		
	14.1. Information on members	*50 to 69*	2.1.1 and 2.1.2
	14.2. Conflicts of interest	*67 to 69*	2.1.1.5
15.	**Compensation and benefits**		
	15.1. Compensation and benefits in kind	*75 to 102*	2.2
	15.2. Provisions for pensions and retirement	*89; 187 to 190 and 204*	2.2.4 and 5.6 (Notes 21 and 29)
16.	**Board and management body practices**		
	16.1. Date of expiration of terms of office	*50 to 69*	2.1.1
	16.2. Service agreements of the Management Board and the Supervisory Board members	*103*	2.3.1
	16.3. Audit Committee and Compensation Committee	*50 to 53; 69 to 73*	2.1.1.1 and 2.1.3
	16.4. Compliance with current company regulations	*50; 73*	2; 2.1.4

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Pursuant to article 28 of EC Commission Regulation no. 809/2004, the following information is incorporated by reference into this Registration Document:

- the consolidated financial statements for the 2016 financial year drawn up in accordance with IFRS, and the statutory auditors' report relating thereto, which are shown on pages 147 to 208 and 209 to 210 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the consolidated financial statements for the 2015 financial year drawn up in accordance with IFRS, and the statutory auditors' report relating thereto, which are shown on pages 121 to 184 and 185 to 186 of the 2015 Registration Document filed with the AMF on April 4, 2016 under no. D. 2016-2016. 16-0268;
- the change in the Group's financial position and operating profit for the 2016 financial year, shown on pages 133 to 144 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the change in the Group's financial position and operating profit for the 2015 financial year, shown on pages 107 to 118 of the 2015 Registration Document filed with the AMF on April 4, 2016 under no. D. 2016-2016. 16-0268;
- the annual financial statements for the 2015 financial year drawn up according to French accounting standards, and the statutory auditors' report relating thereto, which are shown respectively on pages 211 to 234 and 235 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the annual financial statements for the 2015 financial year drawn up according to French accounting standards, and the statutory auditors' report relating thereto, which are shown respectively on pages 187 to 210 and 211 of the 2015 Registration Document filed with the AMF on April 4, 2016 under no. D. 2016-2016. 16-0268;
- the statutory auditors' special report on related-party agreements for the 2016 financial year, shown on pages 104 to 107 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the statutory auditors' special report on related-party agreements for the 2015 financial year, shown on pages 84 to 87 of the 2015 Registration Document filed with the AMF on April 4, 2016 under no. D. 2016-2016. 16-0268;
- the sections of the 2016 and 2015 Registration Documents that are not included are either irrelevant for investors, or covered by this Registration Document.

9.5 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

In order to facilitate the reading of the annual financial report, the following thematic table makes it possible to identify the main information required by Article L. 451-1-2 of the French Monetary and Financial Code in this Registration Document.

Item in the annual financial report		Page no.	Section no.
1.	**Annual financial statements**	*215 to 237*	6.1 to 6.5
2.	**Consolidated financial statements**	*155 to 209*	5.1 to 5.6
3.	**Statutory auditors' report on the annual financial statements**	*238 to 241*	6.6
4.	**Statutory auditors' report on the consolidated financial statements**	*210 to 214*	5.7
5.	**Management report including at least the information mentioned in articles L. 225-100, L. 225-100-2, L. 225-100-3 and L. 225-211 paragraph 2 of the French Commercial Code**		See cross-referencing table of management report in Section 9.6
6.	**Declaration of the persons responsible for the management report**	*265*	9.2.2
7.	**Compensation of the statutory auditors**	*205*	5.6 (Note 31)

9.6 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

Commentary on the financial year

	Page no.	Section no.
Situation and business activities of the Company and the Group	18; 19 to 22; 23; 24 to 29	1.1; 1.2; 1.3; 1.4
Business results of the Company and the Group	156 to 158; 216; 217 to 218; 235 to 236; 237	5.1 to 5.3; 6.1; 6.2; 6.4 (Note 27); 6.5
Objective and exhaustive analysis of business developments, results and financial position of the Company and the Group	30 to 32; 142 to 151	1.5; 4.1 to 4.5
Key indicators of non-financial performance with regard to the Company's specific business activities		N/A
Key events occurring between the date of close of the financial year and the date the report is prepared	22; 32	1.2; 1.5.2
Foreseeable development of the Company and the Group	32; 153	1.5.2; 1.5.3; 4.7
Dividends distributed over the three preceding years and amount of income distributed during the same years eligible for 40% deduction	152	4.6
Investments or controlling interests in companies headquartered in French territory	23; 30 to 31	1.3.2; 1.5.1

Presentation of the Group

	Page no.	Section no.
Description of the main risk factors and uncertainties faced by the Company and Group	36 to 45	1.8
Indications of financial risks linked to the effects of climate change and presentation of measures taken to reduce them through implementation of a low carbon strategy	131 to 132; 138	3.5.1; 3.7
Main features of internal control and risk management procedures relating to the preparation and processing of the accounting and financial information	46 to 48	1.9
Indications of objectives and policy regarding each main category using hedge accounting, and the exposure to risks relating to prices, credit, liquidity and cash flow (use of financial instruments by the company)	44; 149; 168; 191 to 194; 196 to 197; 198 to 200	1.8.5; 4.4.3; 5.6 (Notes 1.3; 22; 25 and 26)
Social and environmental consequences of business activities and societal commitments to promote sustainable development, the circular economy, to fight against food waste and discrimination and promote diversity	107 to 140	3
Research and development activities	34 to 35; 166	1.7; 5.6 (Note 1.3)
Existing branches		N/A

Company information and capital structure

	Page no.	Section no.
Transactions in the Company's shares by managers and related persons	102	2.2.7
Details of purchases and sales of treasury shares during the financial year	253 to 254	7.3.3
Any adjustments for securities giving access to the share capital in case of buyback or financial transactions	194 to 195	5.6 (Note 24)
Major shareholders and treasury shares	247 to 248	7.2.1
Employee shareholding	255	7.3.6
Conditions for exercise and retention of stock options by the executive corporate officers	78 to 88; 202 to 204	2.2.3; 5.6 (Note 28)
Conditions for retaining free shares attributed to executive corporate officers	78 to 88; 202 to 204	2.2.3; 5.6 (Note 28)
Notice given to another stock company that the Company owns over 10% of its capital		N/A
Disposal of shares carried out in order to rectify any situation of reciprocal shareholding		N/A
Injunctions or fines issued by the French Competition authority for anti-competitive practices, and which the authority has ordered to be mentioned in the management report		N/A
Vigilance plan to identify risks and prevent serious infringements in the areas of human rights, fundamental freedoms, health, security and the environment, resulting from the activity of the Company and of the companies it controls and from the activities of sub-contractors and suppliers	127	3.4.1

Elements pertaining to the financial statements

	Page no.	Section no.
Company's results over the past five years	237	6.5
Information on payment periods for suppliers and customers: total amount and number of unsettled invoices received and issued	150 to 151	4.5
Amount of loans granted in application of article L. 511-6 of the French Monetary and Financial Code		N/A

9.7 CROSS-REFERENCE TABLE FOR THE CORPORATE GOVERNANCE REPORT

Corporate governance

	Page no.	Section no.
List of all offices and functions exercised in any company by each corporate officer of the Company during the financial year	54 to 66	2.1.1.1; 2.1.1.2
Content of, and conditions for preparing and organizing, the Supervisory Board's work	50 to 53; 67; 69 to 73	2.1.1.1; 2.1.1.3; 2.1.1.4; 2.1.3
Application of principle of balanced representation of women and men on Supervisory Board	53	2.1.1.1
Potential limitations which Supervisory Board imposes on powers of the Management Board	69	2.1.3
Provisions deviating from the Afep-Medef Code and reasons for this	73	2.1.4
Particular terms and conditions of shareholder participation in General Shareholders' Meetings or provisions in the bylaws covering these terms	245	7.1.5
Observations of the Supervisory Board on the Management Board report and the financial statements for the year	71	2.1.3
Agreements between a corporate officer or major shareholder with a subsidiary of the Company (excluding agreements relating to current operations or concluded on arm's length terms)	101; 104 to 106	2.2.5; 2.4
Summary table of current delegations of authority and authorizations in the area of capital increases	250 to 252	7.3.1

Elements relating to compensation

	Page no.	Section no.
Principles and criteria used to determine, allocate and award the fixed, variable and extraordinary components of the total compensation and the benefits of all kinds payable to the members of the Management Board and members of the Supervisory Board for the offices they hold	75 to 76; 78 to 81	2.2.1.1; 2.2.1.2; 2.2.3.1
Total compensation and other benefits paid to corporate officers during the financial year	76 to 78; 82 to 100	2.2.1.3; 2.2.2; 2.2.3.2 to 2.2.3.5; 2.2.4
All commitments made by the Company for its corporate officers, corresponding to compensation, indemnities or benefits due or likely to be due as a result of taking up, ceasing or changing functions, or at a later date	82 to 88	2.2.3.2 to 2.2.3.5

Elements likely to be relevant in the event of a public offer

	Page no.	Section no.
Structure of the Company's share capital	101 to 102; 247 to 249; 250 to 256	2.2.6 7.2; 7.3
Limitations in the bylaws on the exercise of voting rights and transfer of shares or clauses in agreements brought to the attention of the Company in application of article L. 233-11 of the French Commercial Code		N/A
Direct or indirect ownership of the Company's share capital of which it is aware, pursuant to article L. 233-7 of the French Commercial Code	247 to 248	7.2.1
List of holders of securities with special rights of control and a description of these rights		N/A
Control mechanisms in a potential employee shareholding system, when controlling rights are not exercised by employees		N/A
Agreements between shareholders of which the Company is aware and which might hinder the transfer of shares and the exercise of voting rights		N/A
Rules applicable to the appointment and replacement of members of the Management Board as well as changes made to the bylaws	244 to 246	7.1.5
Powers of the Management Board, in particular regarding the issuance or repurchase of shares	244 to 246; 250 to 252; 253 to 254	7.1.5; 7.3.1; 7.3.3
Agreements concluded by the Company which are modified or come to an end in the event of a change of control	249	7.2.3
Agreements allowing for payment of indemnities to members of the Management Board or employees if they resign or are dismissed without real or serious cause, or if their employment ends because of a public offering	249	7.2.3

Observations of the statutory auditors

	Page no.	Section no.
Report by the statutory auditors on the corporate governance report	239	6.6

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Publicis Groupe SA

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